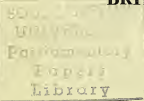


IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE  
BRITISH TRANSPORT COMMISSION (1958 No. 1)



To Confirm the  
British Transport Commission (Passenger)  
Charges Scheme, 1958

MONDAY, 23RD FEBRUARY, 1959

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SEVENTEENTH DAY

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1959

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# PROCEEDINGS OF THE TRANSPORT TRIBUNAL

MONDAY, 23rd FEBRUARY, 1959

PRESENT :

SIR HUBERT HULL, Kt., C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. PATRICK BROWNE (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Sir MILNER HOLLAND, Q.C., C.B.E., Mr. LEON MACLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Hampstead Borough Council and the Islington Borough Council.

Mr. B. J. MACKENNA, Q.C., and Mr. D. A. GRANT (instructed by Mr. Kenneth Goodacre, T.D.) appeared on behalf of the Middlesex County Council, Berks. County Council, Bucks. County Council, Hertford County Council and Surrey County Council.

Mr. DUDLEY COLLARD (instructed by Mr. E. R. Farr) appeared on behalf of the Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. LEON MACLAREN and Mr. GEOFFREY RIPPON, M.P. (instructed by Mr. Vernon Lawrence, O.B.E.) appeared on behalf of Anglesey, Cambridge, Cheshire, Cumberland, Denbigh, Dorset, Durham, Flint, Glamorgan, Hampshire, Isle of Ely, Isle of Wight, Lancs., Leicester, Merioneth, Monmouth, Norfolk, Northampton, Nottingham, Oxford, Soke of Peterborough, Somerset, Stafford, West Sussex, Worcester and Kent County Councils.

Mr. D. A. GRANT (instructed by Mr. R. Webster Storr) appeared on behalf of Beckenham Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ROY CALVOCORESSI (instructed by Mr. G. E. Smith) appeared on behalf of West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Council.

Mr. S. H. NOAKES (instructed by Mr. N. P. Lester) appeared on behalf of Hastings Borough Council.

Mr. A. E. TELLING (instructed by Messrs. Radcliffes & Co.) appeared on behalf of the London Passengers' Association.

Mr. P. T. LEWIS (instructed by Messrs. Gaby Hardwicke & Co.) appeared on behalf of the Hastings, Bexhill & District Season Ticket Holders Association.

Mr. ARCHIBALD GLEN, Town Clerk, appeared on behalf of the Southend-on-Sea County Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. D. J. D. WELLUM, represented the Benfleet & District Railway Travellers' Association.

Mr. JOHN MAGUIRE, F.C.I.S., represented the United Commercial Travellers' Association of Great Britain and Ireland.

Miss DOROTHY D. FORSTER, represented the Walthamstow Trades Council.

Mr. G. A. BAGNALL, represented the Herne Bay Urban District Council.

(*Sir Milner Holland*): May it please you, Sir; I came down this morning because there have been a certain number of casualties. I understand that the position now with regard to Mr. MacKenna is that he is not able to conclude his address until Friday. The other thing that has happened is that Mr. MacLaren has succumbed to 'flu; he has been in bed since Saturday and is not likely to be able to be here—indeed he certainly will not be here—tomorrow, and that will reduce your programme. I confess to a little reluctance to addressing you in the middle of Mr. MacKenna's speech, but if you desire me to do that, I would not make any difficulty. It would affect your sittings, of course.

(*President*): When you say that Mr. MacKenna cannot be here, you mean that he has other engagements; he has not got the 'flu?

(*Sir Milner Holland*): No, Sir; he thought he would be able to be here tomorrow on the footing that it would only take today to open his case, but a new assessment of that situation has convinced him that he will not be able to be here tomorrow, so that the next day on which he could be here would be Friday. The alternative is to see what can be done; I understand my learned friends Mr. Rippon and Mr. Dudley Collard are ready—

(*President*): Mr. Dudley Collard has the 'flu, so he cannot do anything today. You say that you would personally prefer to wait until Mr. MacKenna has finished before you address us, Sir Edward?

(*Sir Milner Holland*): I would, Sir, but I would, of course, yield at once if you persuaded me that it would be more convenient to the Tribunal—or indeed to Mr. Fay. But I would like to hear what Mr. MacKenna has to say; to some extent our cases are parallel, although not always quite on the same lines.

(*President*): Leaving that out, do you prefer to follow Mr. MacLaren?

(*Sir Milner Holland*): I do not really mind, Sir. His arguments, so far as the Counties he represents are concerned, is really on quite another part of the case.

(*Mr. Fay*): As we are discussing future arrangements, Sir, perhaps I might mention a matter which I do not think has been referred to in the last few days; that is the recalling by the Tribunal of the Commission's witnesses, which you hinted at at an earlier stage, and which in the past has in fact taken place; it has taken place in the past after the Objectors' speeches and before the reply by the Commission.

(*President*): Yes; I think that was an error on our part. It only happened once, and I do not think any objection to it was taken at the time, but looking at it afterwards, I think it was a mistake, and we would not follow that procedure again.

(*Mr. Fay*): Does that mean that you will not want them back, Sir?

(*President*): No, it does not mean that; it means that we shall have them back at the right time and not at the wrong time. Speaking for myself, I shall not be certain until after the conclusion of Mr. MacKenna's speech whether we shall want them back; at the moment, if I were to be asked, I would say that we should not.

I think we had better keep to the original proposal, Sir Edward, and hear Mr. MacKenna before we hear you; it will not be of great inconvenience to the Tribunal, and it will have the advantage of meeting your own personal wishes. But how are you fixed for next week?

(*Sir Milner Holland*): I think I am all right—

(*President*): It looks as if somebody is better informed than you!

(*Sir Milner Holland*): I am told that I am all right on Monday, but not after that, Sir, and it does not seem as if we should go on beyond Monday—so far as I am concerned anyway.

23 February, 1959]

[Continued]

(President): Very well. Mr. Rippon will take today; then there is Mr. MacLaren and Mr. MacKenna and Mr. Dudley Collard. Is Mr. MacKenna likely to be engaged elsewhere the whole of the week?

(Sir Milner Holland): No, Sir; I gather that he will be all right on Friday, and I gather that he will not be more than possibly an hour concluding his observations. I should like to follow Mr. MacKenna on Friday—

(Mr. Rippon): There is Mr. MacLaren to follow.

(President): Yes, when he is well again.

(Sir Milner Holland): I do not think it matters as between Mr. MacLaren and myself, in which order we go.

(President): No; your cases are different.

As Mr. Dudley Collard is not here, Mr. Rippon will have the day to himself—not necessarily the whole day. We shall not sit tomorrow, but we shall sit on Friday to hear Mr. MacKenna and you or Mr. MacLaren, according to how things turn out.

(Sir Milner Holland): I know that puts Mr. Fay into a little personal difficulty, Sir; I am sorry for that.

(President): You mean that it pushes his speech further over into next week?

(Sir Milner Holland): Yes, Sir.

(Mr. Fay): I am in a little difficulty, but perhaps when we are nearer the difficulties, we shall be able to resolve them.

(President): Yes, Mr. Fay; we shall meet your difficulties. This is an important matter, and it stretches over such a long period that we must do our best to fit in with the reasonable wishes of Counsel, and your difficulties shall be met. We have quite an amount to read, and we can fill in the time.

(Mr. Fay): Have we had information that Mr. Dudley Collard will not be here tomorrow?

(President): Yes; he is still ill. But he is usually short and concise, although I do not think he is on this occasion representing his usual clients, is he?

(Mr. Fay): I thought he was, Sir—East and West Ham.

(President): No; he represents the Barking Borough Council and the South Essex Traffic Advisory Committee. He very often represents Southend when Mr. Rougier does not. But never mind; he confines his remarks to the essentials.

(Mr. Rippon): May it please you, Sir; I rise to address you on behalf of five Local Authorities, the West Ham County Borough Council, the East Ham County Borough Council, the Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Councils.

(President): You have moved across the river, Mr. Rippon.

(Mr. Rippon): Yes, Sir; I have broader interests perhaps on this occasion; those Councils have an estimated population of over 700,000.

In broad terms my submission will be that London should pay its way only in the sense of meeting its working expenses and of making its proper contribution to Central Charges, but that no provision should be made for setting up either a replacement reserve or a general reserve. The most that those whom I represent would concede, if the Scheme is not rejected altogether, is that there might be no objection to an amended Fare Scale providing, on the same basis as in the past, for a small amount of headroom in the nature of a reserve to meet minor contingencies; but in our view the whole of the financial argument is subject to the overriding consideration that the charges of the business must be related to what the market will bear.

According to Sir Reginald Wilson's evidence the psychological fare, as he called it, is the fare pitched at at least the figure to attract the passenger. We feel that in London that point has already been passed, in spite of the absence of competition such as exists in the Provinces, between the road and rail services; we feel that London Transport is not merely not attracting passengers, but that it is in fact repelling them, and that it will go on doing so if the Scheme is approved in anything like its present form.

Leaving out 1958, which was an exceptional year because of the strike, and perhaps not a very good year for taking

as a base when estimating for 1959, we know already that between 1948 and 1957, there has been a loss of 850 million passenger journeys on the London Transport road services and rail services; that represents a 20 per cent. fall on the road services and a 7½ per cent. fall on the rail services. In terms of passenger miles, the fall is even steeper, and is between 25 per cent. and 35 per cent.

It really does seem to the Objectors that in present-day circumstances it would be commercial, not to say social, folly to contemplate the further loss of traffic that is envisaged under the Scheme; and that loss will come about, because Mr. Harbour has made it perfectly clear that it is London Transport's intention to make full use eventually of the additional charging powers which are now being sought.

It may, I think, be somewhat misleading to point to the 40 per cent. difference between the gross yield of £18m. and the discounted yield of £10½m. which is shown in Document BH 15, but in my submission there is nothing misleading shown in the Appendices of BH 15, which shows losses in the varying levels of traffic between 2½ per cent. and 15 per cent. The ones about which we are most concerned is the 15 per cent. loss on the early morning travel and the figures of 7½ per cent. and 5 per cent. discount for loss of travel on season tickets.

That is my general submission, Sir, and I would like to begin by making some observations upon the Scheme as a whole by reference to the question of how far it is right to consider London Transport as a separate entity.

In my submission, Sir, the position was correctly summed up by Mr. James, when he said at Day 9, page 199, Question 2694: "... but you have not a subsidiary company structure here; I think the Act makes it perfectly clear that all the businesses of the British Transport Commission were to be treated as one business".

This, of course, is the Commission's Scheme, and as you, Sir, said at Day 15, page 329, Question 5318: "... the managers of London Transport have nothing whatever to do with the central financial matters ...; they are excluded from that obligation by the Commission". That is one reason why I confined my cross-examination to Sir Reginald Wilson and Mr. Winchester.

The powers delegated to London Transport are strictly limited; they are conveniently set out in the Chambers Report, paragraph 18, page 4.

(President): Before you go on, Mr. Rippon: Mr. Fay, has there been any change in the extent of the delegation since the Chambers Report?

(Mr. Fay): No, Sir; there has been no change in the structure. There may have been one or two minor alterations at the fringes of the area, but—

(President): I am only concerned with the delegation at the moment. You might at some time give us the reference to the various delegations there have been.

(Mr. Fay): If you please, Sir; I can supply a complete list of the amending instructions.

(President): Yes; I have looked at the earlier one and the first amending one, but I am not sure that I have looked at any since then.

(Mr. Rippon): Paragraph 18 of the Chambers Report at page 4 says: "By a Scheme of Delegation which became effective from 1st January, 1948, the London Transport Executive were given the task of managing the undertaking formerly carried on by the London Passenger Transport Board. The British Transport Commission reserved for themselves certain functions, including policy in regard to fares and the preparation of charges schemes, and directed that the Commission's prior approval must be obtained for all proposals relating to capital expenditure projects in excess of £50,000, appointments and salaries of senior officers, important agreements on wages and conditions and certain other matters".

I do not think there is any dispute—and we have always known it—that the London Transport Executive have no direct borrowing powers of their own; they can only borrow through the Commission.

(President): Yes; that is statutory.

(Mr. Rippon): Yes, Sir; they can only borrow through the Commission, who are in fact the central bankers of the undertaking. Similarly, we know that the London Transport Executive gets no interest on any money which



23 February, 1959]

[Continued]

the Commission has taken over on Vesting Day, or indeed on any items in their accounts.

I think that is one reason why at these Inquiries we have been repeatedly in difficulty in regarding the London Transport Executive for some purposes—for some financial exercises or for the purpose of intelligent guesswork—as a separate entity, whereas in law it is only a part (or as Mr. Lawson suggested, a branch) of one single business.

So far as the provisions of the 1947 Act are concerned, especially sections 3, 85, 92 and 93, they apply only to the Commission as a whole; indeed Mr. Fay acknowledged that in his opening, at Day 1, page 3, column 2.

So that as far as statutory duties are concerned, we must regard the undertaking as a whole. It follows, therefore, in my submission that we must also treat the undertaking as a whole when considering those financial matters which are the direct responsibility of the Commission as the central banker, including in particular the provision of capital, whether by borrowing or out of the reserves of the Commission when they exist. It will be my submission that if it is wrong to adopt the specific approach in the sense in which Mr. Lawson referred to it in his evidence with regard the £40.2m, it would be equally wrong to attempt to produce a Balance Sheet showing a general reserve which, according to Mr. Winchester's evidence, would be one of the labels under which self-financing would appear in the accounts; and that is referred to at Day 6, page 143, Question 1669.

I asked Mr. Winchester some questions about this at Day 6, page 145, Question 1714 onwards: "What I really say is that so far as the British Transport Commission is concerned with its present deficit position, you say you want to make progress in three stages: First of all you want to break even in 1961 or 1962 and earlier in the case of London; and secondly, show a straightforward surplus on a revenue cost basis, which is what I suggest to you is implied in the 1956 White Paper; then as regards London, and only then, the third stage. Is it really sensible to talk about building up a reserve and making part of your capital expenditure programme self-financing?" and Mr. Winchester replied: "I do not agree that you must look at the Commission as a whole for this purpose. Each part should pay for itself and we are saying that London can and should pay its way".

Then at Question 1715: "And the appropriation to reserve of the figure of £2m. would go into the general finances of the Commission?", and Mr. Winchester replied: "Yes"; then at Question 1716: "But you would say that London Transport would have a right to draw on it?" and he replied: "As I think Sir Reginald said this morning, the cash would go to the Commission, but London Transport would have the reserve".

I do not accept Mr. Winchester's view that you should not look at the Commission as a whole for this purpose; I put to him, in Question 1727: "... There is no requirement that London Transport should be self-financing where everyone else is not; there is no statutory duty to build up a general reserve simply for London Transport to be self-financing?", and he said: "I am not really in a position to discuss the statutory requirements with you", and so on. In my submission, Sir, there is not merely no statutory duty for London Transport to do this; there is really a statutory duty for it not to do it.

That brings me to what Sir Reginald Wilson had to say and to which Mr. Winchester referred; that is on page 129, Questions 1329 to 1332: "There is no question"—this is on British Railways as a whole—"there of building up reserves?—(A) No, not taking British Railways as a whole. (Q) Yes, but this is a reference to the British Transport Commission, and any notional reserves of London Transport, of course, go to the British Transport Commission?—(A) The cash does, but the account can be built up. (Q) But the cash goes?—(A) Yes, but it can be drawn back. (Q) From the deficit?—(A) No, from the till. You really must not muddle up the accounts with the amount of cash there is in the till".

Sir Reginald Wilson says that the amount could be drawn back; but in my submission, Sir, we have to consider whether it is in fact in. We have been told that the position will be made clear in the improved London Transport accounts, and this has, as you know, been the

subject of what I regard as somewhat important questions which have been put by the Tribunal themselves; I am referring to Day 4, page 83, column 1, Question 753 and following, and Day 10, page 234, column 1.

In the first of those references you, Sir, took the point: "But the internal relations between the London Transport Executive and the Commission are not such, are they, as to result in the London Transport Executive being able to say: 'We have made a surplus after paying working expenses this year, and we will decide how that surplus is to be treated?'" and Mr. James replied: "When we are talking about setting up a general reserve, anything can be done on a piece of paper, of course, but the London Transport Executive cannot of its own motion say: 'We'll have our reserve out of that', can it?" I am sorry, Sir, but that is still your question; I thought it was too good for Mr. James!

Mr. James said: "Yes, Sir; we have considered that point and it will be possible to do so. We do include in this pamphlet, which I think you will have seen—it is called 'London Transport in 1957'—the various balances of London Transport, which is as near as I can get to a Balance Sheet. Any reserves we had set aside for London Transport will appear in that summary and will in fact be earmarked for London Transport; there is no risk at all that reserves which are made for London Transport will be swallowed up in some other way. (Q) Therefore, in practice they will be treated, as between the Executive and the Commission, as being London Transport Executive moneys?—(A) Yes, Sir".

Then Mr. Poole reverted to this point at Day 10, page 234, Question 3445: "I wanted to ask you some questions about replacement and general reserve, Mr. Winchester. Just to get it right to start with, if you look at page 74 of the transcript of the Third Day, Question 594, in Mr. James's evidence, Mr. James stated that the requirements are three items: £6m. for Central Charges, £3m. for Replacement Reserve and £2m. for General Reserve. You agree with that?—(A) Yes. (Q) Now will you just look at page 163, Question 2055. This was the question asked by Sir Edward Milner Holland: 'Does it comprise you, if that is the case in one of the companies, that London may be a little nervous of the fact that when you are asking this Tribunal to allow you to put the fares up so as to obtain from the London Transport Executive £3m. addition—are you surprised that London may be feeling a little nervous that all that will do is to go to help the Commission's deficit'. £3m. is presumably the replacement figure?—(A) Yes. (Q) And you replied: 'If you would like some assurances on that, I expect we can give them to you'. Can you give us some assurances on that?—(A) What I was referring to there, Sir, was what Mr. James had said in evidence at Questions 753 to 756, that it was, in fact, intended to show reserves in the London Transport separate accounts. In the London Transport books or in the separate accounts published, in any way it is found possible to do it, the reserve will appear. (Q) Taking first that £3m., is that a calculated figure?—(A) It is." I do not think I need read any further.

It is my submission, Sir, that the accounts cannot properly be improved in this way; if it is done, it will show—I will not call it a fraudulent position—but it will show a wholly false and misleading position. There is no dispute that the cash goes to the Commission; Sir Reginald said that. In my submission, Sir, first of all there can be no valid or binding undertaking that this cash can be drawn back by London Transport on demand. In my submission, neither Mr. James nor indeed Mr. Winchester, nor any member of the Transport Commission, who are the only people who are able to give the undertaking in any event perhaps, can bind their successors in this way.

The second consideration is: What happens if after a period of years these so-called London Transport accounts show a general reserve of, say, £10m., which is what Mr. James would like to see?

(President): But is not the difficulty about this argument this: That if it be true that the charges to be made by any separate entity, whether it be London Transport or Docks, Inland Waterways, British Railways or anything you like—if it be true that the charges to be made by what

23 February, 1959]

[Continued]

are called separate entities must not be so fixed as to produce a general reserve, the result of treating that as being an established rule in the case of each separate entity is that the Commission itself, which is under a duty to establish a general reserve, will not be able to do so.

(Mr. Rippon): But it really is not accurate to talk of a reserve being perpetuated to London Transport. I would not for a moment suggest that you could not produce a valid scheme which showed a surplus of so many million, provided it is clearly understood that that surplus goes to the Commission in order that the Commission can fulfil its statutory duties.

(President): Yes, but all fares go to the Commission; indeed it is the Commission which is empowered to charge.

(Mr. Rippon): But the suggestion has been made that London Transport can improve its accounts to show a general reserve or a replacement reserve available to London Transport for self-financing. That is not a matter for London Transport; its borrowing powers come from the Commission, and all London Transport has to do, as a separate part of the undertaking, is to make some contribution to the general finances of the Commission. You may say, therefore, that it is right that London Transport should make a surplus in order that it can now help to reduce the deficit and eventually build up a reserve for the Transport Commission, and so enable them to perform their statutory duty; but I submit it is not right to say that London Transport should have anything in the nature of a general reserve or a replacement reserve.

(President): Only surplus funds?

(Mr. Rippon): Yes, which we recognise should go to the Commission. I am really saying that it would be wrong—it may only be a matter of terms—to speak of a general reserve or a replacement reserve; but it may be more than a matter of terms, because you may think there was some argument for a general or replacement reserve that, if you were satisfied that London Transport had the power to draw, could be earmarked in a special account and made available, but you may not feel able to allow a Scheme which produced a surplus going to reduce the deficit of the Commission.

Supposing the improved Balance Sheet showed that £10m. general reserve; there is still the point of whether the Commission should return it out of its deficit. Sir Reginald would say that it would be in the till, and that one must not muddle up the accounts and the cash. Supposing that is right, what if the Commission, by 1962, have a small surplus on their account, and then London demands the £10m.? It may be that the Commission should only pay it over by breaking its own statutory duty to balance its account for that year, and perhaps the next succeeding year, taking one year with another.

So I submit, Sir, that you should reject this conception of a London Transport account proper, and recognise that all it can do is to make a contribution reducing the deficit of the Commission; and then I would submit that it ought not to do so in present circumstances—that, quite apart from the question of whether the notional Balance Sheet is a proper concept, it would be wrong to adopt a specific approach for this purpose while rejecting it for the purpose of Mr. Lawson's answer.

This leads me to another aspect; as Mr. Fay said in his opening at Day 1, page 6, column 1: "British Railways, Scheme or no Scheme, obviously cannot hope in the near future to pay its way". I think it follows also that, Scheme or no Scheme, there is no hope of the Commission, in the words of the 1947 Act, discharging its duty to secure that its revenue is not less than sufficient for making provision for the meeting of charges properly chargeable to revenue, taking one year with another—the charges referred to in Sections 92 and 93.

As Mr. Fay implies, the acceptance of that inability to comply with the requirements under those Sections is implicit in the Transport (Railways) Finance Act of 1957. I say that it is implicit; as you pointed out at Day 1, page 6, column 1: "Of course, the funny thing about this Section 3, subsection (4), in the 1957 Act is that it leaves untouched the duties in the other sections of the Transport Act, 1947"; and at Question 3798, you said: "Until the 1957 Act was passed—and is construction was open to argument—the Commission was under a statutory duty to build up a general reserve". Of course, that does

not mean, as you indicated, that it does not matter how quickly British Railways move towards insolvency, and hope was expressed that no one was going to argue that in relation either to the Commission or London, and I certainly was not; but I would argue that it is implicit in the 1957 Act, and in the borrowing Bill which is now before Parliament, that the only way in which the Commission as a whole can ever hope to comply with the requirements of the 1947 Act when revised, is by more modernisation and saving, and that is what they have repeatedly emphasised themselves both in the White Paper of 1956 and in the 1958 Exchange of Correspondence, subject only, in my submission, really to paragraph 3a on page 11 of the 1956 White Paper, that the Commission will not be prevented from adjusting their charges without delay at any time to cover increases in costs, should they consider it expedient to do so. That is Command Paper 9880, presented in October, 1956, and on page 11, paragraph 3a, it says: "That the Commission will not be prevented from adjusting their charges without delay at any time to cover increases in costs, should they consider it expedient to do so", and I think we do, and always have, accepted that.

But subject to that, it seems to us reasonable in these circumstances that we should accept the position so far as the British Transport Commission deficit is concerned, and not expect London Transport at this stage to make a contribution towards reducing it.

When I was cross-examining Sir Reginald Wilson, I think you intervened to say: "We should all be willing to carry a deficit for a number of years if somebody else is going to clear it off in the end, Mr. Rippon; I should myself", to which I replied: "That is in fact what we are happily agreeing to do; we hope it will be cleared off by modernisation and savings, rather than higher fares, which might result in loss of goodwill permanently". What we say is that London should not, because it is not affected by the Special Account set up by the 1953 Act, add to the deficit; it should not in present circumstances be called upon to reduce the existing deficit, which is all that can legally happen if there is a replacement reserve or a general reserve of the kind contemplated.

I appreciate that there is another aspect of this matter, Sir; it can be argued that while London should not be asked to reduce the deficit to the Commission so far as it is attributable to other activities, it should perhaps contribute to the extent of reducing its own notional share of that deficit. Presumably that can be quantified; that was confirmed in what the Commission has been saying in paragraph 92 of the 1956 White Paper.

They said there: "The Commission have recently made certain local adjustments to fares in London. While they will always endeavour to keep fares in the London area as low as possible, current costs must in future be met by the current level of fares. There are no future expectations to justify a different policy".

So whereas on British Railways you can accept a deficit which did not necessarily involve revenues covering current costs, in London we must accept that current costs must be met by the current level of fares.

Sir Reginald Wilson, when I cross-examined him, said at Question 1371 that he really did not know whether "current costs" was intended to include a provision for general reserve; I think he suggested that they had nothing more in mind than to get what the Tribunal would give them. But in my submission, although he did indicate in his evidence that he might like to re-write some of the paragraphs of the 1956 White Paper, and even to put a gloss on some of the phrases in the 1958 Exchange of Correspondence, the Tribunal ought to have regard to the clear meaning of the words "current costs", which in my submission involves meeting working expenses and making a proper contribution to Central Charges, and not adding to the deficit of the Commission.

I will not go into the other amendments Sir Reginald would like to make to the White Paper; I think that is a matter between him, his Chairman and the Minister.

The real difficulty is that even if you take the view that London ought to make some contribution in the sense of reducing its own notional part of the Commission's deficit resulting from its proposed failure to make its proper contribution to Central Charges in the past, it is



23 February, 1959]

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virtually impossible to quantify what that deficit is. It may be that you could do some arithmetic which would reconcile Mr. James's figures, Mr. Hill's figures and Mr. Lawson's figures, but in my submission the position is really quite correctly set out at Day 4, page 82, column 2. You will remember, Sir, that PJ 14 suggests that London Transport has accumulated a deficit of £15½m., but you put some questions to Mr. James on this matter.

At Question 744 you said: "Supposing we were not satisfied that over this span of years, London Transport had accumulated a deficit of anything like this amount, would that, in your view, make any difference to our conclusion as to the formation of a general reserve?" (A) No, Sir. (Q) In other words, we can treat the fact that there has been accumulated a deficit over this period of years as being negligible for the purpose of considering the general reserve problem?—(A) Yes, Sir. It was with that sort of point in mind that I did make a reference to the freezing of the existing deficit and never paying it off at all—simply bearing the interest burden on it. If that were done, I would still want the general reserve, and my main objective in wanting that would be to prevent it from happening again. (Q) The other question is this: The only justification for the figure in line 4 for the years 1948 to 1952—the only justification you have mentioned—is that in 1953 we fixed a figure of £5.4m., is it not?—(A) That is so, Sir. I have deducted the figure the Tribunal fixed in 1953, which must have been right at that point, and I have assumed in respect of the subsequent years—(Q) Never mind the subsequent years; I am asking you about the previous years?—(A) If we may go back to the first Inquiry, which was in 1950, at that time the Commission were saying that Central Charges ought to be £5.6m., and Mr. Hill, appearing for the Objectors, was saying that they ought to be £4m. It therefore seemed to me that at the worst the figure would be £4m. in those early years; if I am entirely wrong in putting £5.4m. in for the years 1948 to 1953, and if at the worst something starting at £4m. and rising to £5.4m. is provided, I still get a deficit in excess of £10m. (Q) I quite understand that; if the figures were different, you would get a different figure, of course. But in fact you are today giving no evidence in support of the Central Charges contribution for 1948, 1949, 1950, 1951 and 1952, and possibly not 1953?—(A) No, Sir; I would not propose to do so. (Q) And if we want to arrive at the figure of the total deficit over the whole span of years, we shall have to do such arithmetic as we think useful ourselves?—(A) Yes, and I would be willing to assist the Tribunal in any way we could, but I have very little information on which to put in precise figures for those years. I do repeat what I said just now, that even when you say: "Never mind the deficit at all; let's freeze it," I still think that we should have a general reserve contribution of £2m. a year."

In those circumstances and really in the absence of any satisfactory evidence, you may think it right that the deficit should be regarded as "frozen" in the way Mr. James suggested.

(President): But we have two other methods of arriving at the deficit for these earlier years?

(Mr. Rippon): Yes, Sir; it really arose out of the need to attack Mr. James's figure. If you are going to accept any figure at all, that is too high.

(President): But we have the calculations; I agree that we have reached different results.

(Mr. Rippon): Yes, Sir—all notionally very difficult to quantify with any precision. In those circumstances I submit that it would be wrong to allow them a general reserve, a surplus, which would enable them to reduce their contribution to the Transport Commission's deficit at a rate far in excess perhaps of what is right on any view of the situation.

Of course, Sir, I would like to have it both ways in this matter, as the Commission did on another matter; if you freeze the deficit, I say that Mr. James cannot have his general reserve for the reasons I have already advanced. But there is another way—perhaps there are several—of looking at the matter.

In so far as the Tribunal considers that there is no objection to self-financing as a principle, one should con-

sider not only London Transport, but how far the Commission as a whole should make provision for self-financing. In my submission, Sir, it is neither sound commercial practice, nor equitable, to provide for the £3m. replacement reserve or the £2m. general reserve.

So far as London is concerned, I go some way towards what Mr. Fay said in his opening address at Day 1, page 3, column 2. At the bottom of column 2, after making the point that the statutory provisions applied to the Commission as a whole, he went on to say: "... from a commercial and equity standpoint, the policy ought to be that each activity, so far, at any rate, as this Scheme is concerned, ought to pay its own way; and, so far as the Railways and London Transport are concerned, that has been accepted by this Tribunal, as I understand it, from the days of the very first Scheme. This Court laid it down, when it considered the 1950 London Area Scheme, that each activity ought, if possible—"those words," if possible" may be relevant—"to contribute its due proportion to the Commission's total financial requirements, and I read that as meaning that it has got to pay its own working expenses and then it has to pay to the Commission its proper share of the Central Charges"—I am with him on that point, and then he goes on to say: "which, of course, are largely the interest payments—and all the other financial requirements of the Commission, including, in the words of the section, 'a proper provision for depreciation or renewal of assets' and 'proper allocations to general reserves'."

In my submission, Sir, that is perhaps reading too much into the 1950 position. I hope that may be so, as I understand it, this is really the first occasion on which we have argued at any length the question of the provision for self-financing, and if I go into it at some length on this occasion, it is because this is our first opportunity, and possibly our last.

I would rather approach the matter from the point of view of the three questions you asked the Commission and the Objectors on the last occasion; they are set out again conveniently on page 12 of these proceedings, column 1, Day 1. The first question was: "Do you agree that the London Transport Executive should be enabled to pay its way?" and our answer to that is: Yes, but not in the way in which the Commission answered that question as set out in the first paragraph of the second column of page 12, which is: "The Commission agree that the London Transport Executive should be enabled to pay their way, but this means to the Commission more than merely meeting working expenses and making a just contribution to Central Charges."

The second question was: "Do you agree that the London Area services, treated as a unit, should pay their way in the same sense?" The answer to that is this: We agree with the policy of assimilation; indeed we have urged it far more than anybody else, provided, in the words of Sir Reginald Wilson, the London Lines do not show unconscionable profit or absurd losses as a result of using the same level of fares as London Transport. On this subject our view is that there should be a more flexible charging structure in London to allow for the special needs of special areas; I did put some questions to Sir Reginald Wilson on that point, but I do not think I need go over them again—we have raised the matter at one Inquiry after another. But there is on this occasion another consideration; it is that if fares on London Transport are raised to a level where they cover a considerable degree of self-financing, that interest will be opposed by the section of British Railways (London Lines) which are not expected at the present time in any event to be self-financing in any way.

The third question was: "Do you agree that the maximum charges prescribed in any Scheme should be such as to empower the Commission to obtain, in the case of the London Transport Executive services, or as the case may be, in the case of the London Area services as a whole, more revenue than is required for the purpose of paying its way, or their ways?" Our answer to that is: Not necessarily, and only in the sense that a fare structure may contain some headroom in the nature of a reserve to meet minor contingencies.

I do not think I need say very much, from the point of view of those whom I represent, about Central Charges, as to whether or not £6.0m. is the proper contribution to

23 February, 1959]

[Continued]

be made. I called, of course, no witness on the matter, and there was nothing in the evidence given by Mr. Hill or Mr. Lawson, which, as I understand it, suggested that the proper figure would be £5.3m. to £5.6m.—

(*President*): For future years, I think they rise. I think Mr. Lawson's figure approximated from £5.6m. to £6.0m. in future years, but I may be wrong.

(*Mr. Rippon*): I will not pursue that matter, Sir; it will obviously be argued in detail by Mr. MacKenna. In any event, it is always a matter of the exercise of skill and judgment. I think you will agree, and all I would submit is, that in exercising that skill and judgment, you should err, if at all, in considering what the proper contribution is, in favour of the Objectors; first of all, because in my submission it is reasonable to have regard to the fact that the business of London Transport Executive is contracting, whereas there is every reason to hope that by virtue of modernisation the business of British Railways and the other activities of the Commission will expand. Secondly, although the Central Charges of the Commission have increased, that is largely due to interest charges which cannot be attributed to the activities of London Transport. Thirdly, although London Transport is going to make a bigger demand in the future, quite clearly on British Railways the increase in the Central Charges for borrowing will be accompanied, so we are told, by a real prospect of financial improvement such as does not exist in London except, in the words of the 1956 White Paper, by increasing fares and so accelerating the already alarming loss, so we think, of public goodwill. That is a very general submission, Sir; I cannot press it too far.

I would like to turn now to the perhaps more important question on this occasion of the replacement reserve, for which the Commission say they need £3.0m. of the surplus they are seeking. First of all, there is a difference between historic cost depreciation or what may be termed either replacement cost depreciation, or, as you suggested at Day 13, page 293, Question 4525—I do not think it is necessary for you to refer to it, Sir—“sums reserved out of earnings for self-financing in the future”.

In my submission, Sir, that definition, for our purposes, is the more accurate one—“sums reserved out of earnings for self-financing in the future”. I think it is right, because so far as replacement contains an element of improvement, it is not, strictly speaking, depreciation at all. Mr. Lawson's evidence is that the calculation of replacement cost cannot be made with any precision in any event, but even supposing Mr. James, as I understand it, is right in saying that you could do it reasonably accurately from year to year, that is in any event only a notional calculation again, which may bear little or no relationship to the ultimate reality; and indeed, in my submission, there is clearly a point in all the various arguments which have been advanced in this Inquiry about the proper basis for calculating depreciation, but they all merged into the general consideration of how far in present circumstances it is prudent commercial policy, and equitable for London Transport, to make provision for self-financing; that is assuming you do not reject the idea of the replacement and general reserve altogether on other grounds.

In those circumstances, in my submission, the real question to be considered is how far London ought to be self-financing as regards (a) replacement, (b) improvement, and (c) expansion to the extent of £5m. a year over and above the provision that is made for depreciation on an historical-cost basis. In my submission, it is not unreasonable, in fact, to regard the £5m. as a global figure. I think it is borne out by the evidence that the figure of £5m. for these purposes is, in any event, excessive. It represents some 3 per cent. on the total capital of £150m. to £160m. provided by the London Transport Executive, and that, we have been told, compares with the 1 per cent. which the electricity industry, in fact, provides; or, alternatively, it represents some 6 per cent. on the annual turnover of about £80m., and that compares with the 3 per cent. or so which the electricity industry is, in fact, providing. I emphasise “in fact” because we know there is a great deal of difference between the theories which you find set out in the Herbert Committee and other reports and the practice of all the nationalised industries, including the electricity industry.

So, in my submission, quite apart from the question as to whether or not the views of the Herbert Committee are right in principle or based on an inadequate assessment of general principle and a lack of understanding of the difference between loan and equity capital, and apart from the fact that they relate only to the particular circumstances in the electricity industry, there is no justification, in my submission, at the present time for London having any further extent of self-financing. I think it is clear from Mr. Lawson's evidence that they have not done too badly in that respect already, and the change in 1953 from the Abnormal Maintenance Account and the standard charge to the Maintenance Equalisation Account may also be regarded as a financial improvement. Perhaps Mr. Lawson is right when he says that an undertaking in the state of London Transport ought to be doing it on a cost-cash basis; but leaving that on one side, London Transport has made considerable contributions to its self-financing. In this connection it is significant, in my submission, that neither the Electricity Board, nor the Gas Board, nor the Coal Board, nor, as far as I know, any other nationalised industries, are carrying out in practice the recommendations of the Herbert Committee.

The Commission say that it would be sound practice to provide this Replacement and General Reserve of £5m. in London for a number of reasons, but they have chosen to base their case to a large extent on three things: First of all, their researches into the practice of private sectors of the industry; secondly, on the recommendation of the Herbert Committee, buttressed by some random quotations from Sir Oliver Franks, the Report of the FBI and the Chambers Committee Report; and, thirdly, they make an assertion that the weight of current economic theory supports their view, albeit in practice it certainly does not. I would like to deal with those arguments one by one.

First of all, the practice of private industry. In my submission, you cannot, in any sense, judge this question of the merits of self-financing in a nationalised industry by reference to the practice of private-enterprise companies. They are prompted to retain a larger proportion of their profits in their business for many reasons which, in my submission, are not applicable to a public utility. I put some questions to Mr. Winchester in cross-examination on this aspect of the case, and they are set out in Day Six, page 144, Question 1674 and following. Again, I do not think I need refer in detail to those; no doubt it will be sufficient if I simply give a reference to the argument here.

(*President*): I would rather like to glance at them, all the same; but do not let me delay you. It is the Sixth Day, is it not?

(*Mr. Rippon*): Yes, Sir; page 144, starting at Question 1674. In the middle of Question 1674 Mr. Winchester gave as the main reason why the companies do retain such a large proportion of their profits in the business: “The need which they see of keeping the business going as a going concern. If a business earns such small profits that it has to borrow merely to keep itself going on the same basis, it will soon find itself in difficulty. Every business therefore aims to set aside reserves which will be sufficient at current price levels and not merely to write off its current costs in the accounts; and in the second place to provide something which by accounting rules could be regarded as additions and improvements, but may well be no more than the changes necessary to maintain the position in a changing world.”

Mr. Winchester takes that as his main reason for self-financing private industry. What he says may apply to a small business in a poor way which cannot borrow because its credit is bad and, therefore, it has to make some provision for itself; but that does not apply to the British Transport Commission. It might conceivably apply if the British Transport Commission were forced to raise its money in the open market, but they are not; everyone realises it would be absurd for them to do it at the present time so they are financed below the line by the Exchequer. The only argument you find out of the FBI Reports and the other reports is that it should be financed, of course, out of real savings; if they do not provide it themselves the taxpayer has got to find it, but it has still got to be financed out of real savings. Of course, if a business is earning no profit and is in the



23 February, 1959]

[Continued]

position of the Transport Commission, then, of course, it is not self-financing, anyway.

There is also a general consideration which applies to, perhaps, both private industry and nationalised industry which I put to Mr. Winchester at Question 1697: "There is a general national argument that you get the most generally effective allocation of national resources if profits are distributed so that shareholders can, through the medium of the capital market, assign their funds to what they consider to be the most remunerative uses."

I am afraid it is not on my list, but I did have a look over the week-end at what the Cohen Committee, the Council of Prices, Productivity and Incomes, in their Report in 1958 had to say on this matter. I tried this morning to obtain some copies from the Stationery Office, but I am afraid it is such a popular document that they have run out, but they are hoping to get further supplies by lunch-time.

(President): We all have copies, though not here.

(Mr. Rippon): I apologise; it was not on my list, but I thought if this was going to be our first, and perhaps last, opportunity of discussing this whole question—

(President): Why are you afraid of it being your last opportunity, Mr. Rippon?

(Mr. Rippon): Well, one never knows in these cases. It is no good, after you have allowed the case for the Commission, coming back next time and saying: "We might have put that point". I hope we shall never have to raise it again because you will not accept the Commission's view.

I would like to refer you to Chapter VII on prices and profits, which is, I think, the most relevant to our argument. They deal, first of all, on page 47, Paragraph 152, with the taxation considerations which prompt private companies to retain profits, and they say, in about the middle of the paragraph: "We purposely refrain in this Report from making any recommendations about specific taxes; but we think it relevant to this subject of dividend limitation, which clearly falls within our purview, to quote a sentence in which the majority of the Royal Commission on Taxation record their objection to the present differential tax on distributed profits." The majority said:

"The mere retention of profits cannot be rated as an economic advantage; on the contrary, it would better serve the public interest that a company should be encouraged to distribute those profits which it cannot put to fruitful use, in order that there may be a chance that they may be invested effectively elsewhere."

In a footnote they quote the views of the minority of the Royal Commission, who stated the objections to the differential tax in even more forcible terms than the majority, terms which are, in our view, equally applicable to the compulsory limitation of dividends: "It can be argued that the system of financing expenditure so largely out of the undistributed profits of companies does not ensure the best use of the community's savings. It makes it more difficult for fast expanding firms to raise funds in the capital market; it strengthens the monopolistic tendencies in the economy, and it encourages wasteful expenditure on behalf of those firms who have more money than they can use and who are yet prevented (by custom and tradition as well as by the instruments of public control), from channeling these funds to their most profitable potential use."

(President): I have not read the Report for some time, but I cannot believe that the Cohen Committee, or the Royal Commission on Income Tax, were expressing the view that public companies would best serve the public advantage if each year they distributed the whole of their profits.

(Mr. Rippon): They are saying no more than that there should be a limit to it; I do not think the passage I quoted suggests more than that, but I was going on to quote Paragraph 156, which does, I think, answer your point: "Thirdly, it seems to us entirely right and proper that companies should aim at making and retaining enough profits, after payment of very severe taxation, to provide for such expenditures on scientific research as cannot be charged as current expenses, as well as to contribute to the costs of physical growth. Nothing that we have said above in Paragraph 152 should be taken to indicate dissent from that view. This is one of the methods by which

businesses have always grown; even in 1938 the amount of saving done in this way by companies on behalf of their shareholders seems to have been more than half as big as the total amount of saving done by individuals. In the early post-war years the violent change in the distribution of income, leading to the almost complete disappearance of personal savings, increased the disposition of progressive companies to perform 'self-financing' of this kind. Moreover, during the inflationary period it has been necessary for companies to provide out of profits (and heavily taxed profits at that) for the increased costs of carrying stock-in-trade and work in progress at rising prices, and for the excess of the cost of replacing their fixed assets at replacement cost over the depreciation provisions which had been made for the purpose before the calculation of profits (see Appendix 2). Had companies not adopted this course, it would have been impossible to fill the gap by recourse to the capital market. The special difficulties of the inflationary period should gradually diminish as inflation is mastered; but it must be expected an efficient and progressive company will always wish to finance part of its capital investment programme out of retained profits.

"This practice does, however, mean that a considerable part of the costs of future growth is being replaced, through the medium of higher prices than need otherwise prevail, on the shoulders of the present-day consumers; and there seems to be some reason for supposing that in some cases, where there is no overwhelming competitive pressure, the practice may be carried to excessive lengths."

Pausing here, there are two points, it seems to me, the Council have made so far: First of all, the argument for self-financing is diminishing and not increasing; and, secondly, there is a particular danger—

(President): Is diminishing if inflationary pressure is to be taken as diminishing, is it not?

(Mr. Rippon): It is, perhaps, better to use their words rather than put my own gloss on them. They say: "The special difficulties of the inflationary period should gradually diminish as inflation is mastered . . .", then they make the point that in some cases "where there is no overwhelming competitive pressure, the practice may be carried to excessive lengths." In my submission, it is relevant, when considering the position of London Transport, to remember that there is no competitive pressure except from the motor-car and the scooter; there is no competitive pressure in the sense that you have outside London with the competition between the Provincial bus companies and the railways.

They go on to say: "The economy, in other words, might be in a healthier position if there were a great diffusion of real income from the company *qua* company, not merely to its shareholders (for whom see Paragraph 152 above), but to its customers"—and, of course, a nationalised industry is not concerned with its shareholders, it is only concerned with its customers. "But the corollary is that, if the pace of growth is to be maintained, some of the saving which in recent years has been done by the companies must in future be done by somebody else. The omens for this are not as unfavourable as they seemed a few years ago; while the figures are uncertain, and are themselves inflated by the inflation, there seems no doubt that since 1951 the habit of personal saving, largely though not entirely through the instrumentality of Pension and Provident Funds of various kinds, has made a considerable recovery. But it is a tender plant. The needs for stable or falling prices and for increased savings are complementary."

In my submission, we have to accept that the borrowing of an undertaking like the British Transport Commission must be financed by the Exchequer, but it ought to be financed out of real savings, and we should bear in mind that the Transport Commission in particular is in a position to do something to meet the complementary need of maintaining stable or falling prices. Of course—and this is the difficulty—one cannot carry the argument about the position in private-enterprise companies very far. It is, I think, the fallacy of the way in which the Commission have approached this matter, because there are many other considerations which apply to a public company in a private sector which do not apply to a public utility, and, indeed, the Cohen Report does not help on that point at all, perhaps because they did appreciate the distinction between equity and share capital. It

23 February, 1959]

[Continued]

seems to me that is the fundamental point at issue, that the public company in the private sector has equity capital. That is, really, what I was putting in my questions to Mr. Winchester, that the private company has these three alternative methods of executing an investment programme: Either by self-financing, borrowing from the bank; or by equity financing, or by self-financing and it can use either one of them or a combination of all of those methods. Mr. Winchester agreed, in his answer to Q. 1684 (Day Six, page 144) that a private company which was in a healthy state would "come to the conclusion that beyond a certain point the debt financing would be dangerous because, for example, it increases the debt capital ratio and so makes the industry, perhaps, unattractive in the event of its desiring equity expansion?"—(A) I can imagine that circumstance arising quite easily", but it does not, in fact apply to the British Transport Commission. On the other hand, if private companies follow a policy of equity financing, it might pass out of the hands of its existing shareholders, and that is a consideration that does not apply to the British Transport Commission.

Then there is the effect of the taxation policy to which I referred in Q. 1711, with which I think I have already dealt; that does not apply, of course, to the British Transport Commission. Finally, in answer to Q. 1712 Mr. Winchester agreed that many of these things will affect the British Transport Commission less, not at all, or differently. It was because of this existence of equity capital that I also suggested that it is misleading to draw too close an analogy with the Provincial bus companies. That matter is dealt with on Day Six at page 146, Qs. 1733 to 1737: "But, of course, I would concede that some of the considerations which you have been advocating in relation to the private sector of industry may apply to a particular transport undertaking; I mean, there are transport undertakings which have the same problems as private industry when they come to consider self-financing?—(A) If they are private companies, they will have the same problems as private companies. (Q) That is what I am suggesting to you, in the case of the Western Welsh Omnibus Company, to which you referred on the Third Day, page 58, Question 259. You referred there to a letter from the Minister of Transport, relating to an appeal by the Western Welsh Omnibus Company?—(A) Yes. (Q) I think the first letter is a letter of the 13th July, 1954, with the reference RT514/7/020?—(A) Yes, I have the reference. (Q) I wanted you to look at paragraph 7?—(A) This is the earlier document, is it? (Q) Yes. In paragraph 7 you will see this: "The next matter of importance is whether these Omnibus Companies were in the nature of quasi-public utility companies or commercial undertakings. The Minister is unable to accept the contention that the respondent companies are in the nature of public utility undertakings."

Pausing there, Sir, it is evident that the Minister considered it a matter of some relevance. The letter goes on to: "Despite the control placed on their operations and on those of possible competitors by the Road Traffic Act, 1930, the Minister agrees with the view expressed by the Inspector that these companies must be considered as commercial concerns. Their finances include equity capital subscribed by shareholders and in his opinion they are entitled to conduct their financial affairs in accordance with generally accepted commercial principles." I asked Mr. Winchester: "Would you agree that that indicates that there is perhaps a difference, and an important difference, between the decision which the Minister gave in respect of the Western Welsh Omnibus Company and the position of the Transport Commission, which does not have any equity capital subscribed by shareholders?" and Mr. Winchester replied: "It indicates that there is a difference, but I do not really think it is a difference of substance. In any case the companies to which it referred included the companies owned by the Commission."

I think, therefore, one has to face that point: There is the question of the wholly-owned subsidiary companies of the British Transport Commission, and Mr. Winchester, as I understand it, is evidently arguing that the Minister treated them in the same way and, therefore, did not attach so much importance as all that to the question of equity capital. But, in my submission, it may well be that the reason for this is the necessity of securing some

uniformity in the form, structure and policy outside London, and he was accepting there the anomalous circumstances because the Minister had to have regard, in the case of the other companies, to their equity share-holding.

There is the further point which applies outside London and does not apply inside London, and that is that there is the element of competition which keeps the price down and so discourages either the wholly-owned subsidiary of the British Transport Commission or any other company putting its fares up.

(Mr. Fay): Competition with whom?

(Mr. Rippon): This is competition with the railways. I do not think we have ever had any dispute about that; in fact, Mr. Fay made the point in his opening speech and suggested it was one of the reasons why we have to have a rather closer control over Charges Schemes in London than might be reasonable outside London.

(Mr. Fay): I made the point that the railways suffer from competition from Provincial bus companies, but the reverse does not apply, as Sir Reginald was astute to point out.

(Mr. Rippon): Sir Reginald may have been astute to point it out, but I am not quite sure he is accurate. Perhaps it would be worth looking, if that point is going to be taken too far by my learned friend Mr. Fay, at Section 72 of the Road Traffic Act of 1930.

(President): This is about Traffic Commissioners?

(Mr. Rippon): Yes. The point really is that it is only the railways who face competition and bus companies can do as they like. I had not intended to go into it, but it may be a point of some relevance.

Section 72 really deals with the duties of the Traffic Commissioners in granting Licences, and sub-section (3) provides: "... and in exercising their discretion to grant or to refuse a road service licence in respect of any routes and their discretion to attach conditions to any such licence shall have regard to the following matters": including (b): "the extent, if any, to which the needs of the proposed routes or any of them are already adequately served", and (d): "the needs of the area as a whole in relation to traffic (including the provision of adequate, suitable and efficient services, the elimination of unnecessary services and the provision of unremunerative services), and the co-ordination of all forms of passenger transport, including transport by rail; and take into consideration any representations which may be made by persons who are already providing transport facilities along or near to the routes or any part thereof or by any local authority in whose area any of the routes or any part of any of the routes is situate". Then sub-section (4) provides: "Subject to the provisions of this section and to any regulations made by the Minister, the commissioners may attach to a road service licence such conditions as they may think fit with respect to the matters to which they are required to have regard under the preceding subsection, and in particular for securing that—(a) the fares shall not be unreasonable; (b) where desirable in the public interest the fares shall be so fixed as to prevent wasteful competition with alternative forms of transport, if any, along the route or any part thereof, or in proximity thereto."

So I think it is of some relevance—and it has not really been brought out in this Inquiry, certainly not in Sir Reginald Wilson's evidence—that there is provision for ensuring some protection for the railways in this regard. But it may be that the better way of looking at it is that the principle which the Minister sets out in his decision on the *Western Welsh Omnibus* case is right and that the wholly-owned subsidiaries of the British Transport Commission, which are in a somewhat anomalous position, are treated in the same way, really, as an exception to the general principle.

Then it is also possible to argue this matter in another way as Sir Reginald Wilson agreed in the passage which I put to Mr. Winchester at Day Seven, page 156, Question 1893, the passage from the Report of the Conference organised by the Institute of Municipal Treasurers and Accountants in 1954: "... It is also possible to argue, where the business is financed entirely by loan capital and there is no equity in private hands, that the depreciation should be related to historical cost and the interest charge related



23 February, 1959]

[Continued]

to the borrowings outstanding (e.g., also to historical cost, as it were)."

In my submission, this question of whether or not an undertaking is financed by loan capital or share capital, as Mr. Lawson puts it, or as I put it by debt or equity financing, is really the fundamental issue on this point. I think it is of some significance to note that in the passage from Sir Oliver Franks's statement which he made in 1956 as the Chairman of Lloyds Bank which Mr. Fay and Mr. Winchester quoted, Sir Oliver referred to the replacement of capital and not to the replacement of assets. I think it is necessary to look at it in detail because he does preface it by "Even the replacement of capital." It is at Day One, page 19, at the bottom of column 2: "I can bring to a close what I want to say about reserves by noticing that private industry retains annually a far greater percentage of its turnover, by and large—and you will hear the figures from the witnesses—than we are asking to retain, and by referring to a statement which was made by the Chairman of Lloyds Bank in the Annual Statement of the Chairman, Sir Oliver Franks, issued with the Banks accounts for 1956. He said: '... the weak financial position of the nationalised industries has remained an unsatisfactory feature of the situation. Nobody questions the need for very heavy investment outlays to improve the capital equipment of these basic industries. What may be criticised is pricing policies that render the public corporations as a whole incapable of proving even for the replacement of capital used up in their current operations, far less of financing new capital expenditures.'"

(President): Of course, he cannot be using the word "capital" in the financial sense there, can he? "Used up" would be an inappropriate verb, would it not?

(Mr. Rippon): "... providing even for the replacement of capital..." Of course, it is impossible to say exactly what he had in mind, but one can conceive that he used the words with some care, and what he had in mind was the redemption of capital; that he was using "replacement of capital" in exactly the same sense as Mr. Lawson or I have been using it.

(President): If you collate that sentence with the previous sentence, he appears to be saying: "Nobody questions that they ought to spend a lot of money on improving capital equipment, on buying things, and then he goes on: "What may be criticised" is that their pricing is insufficient to find enough money to replace the capital used.

(Mr. Rippon): With respect, he goes on to say: "... far less of financing new capital expenditures." At the time at which Sir Oliver Franks was speaking there is no doubt that, so far from even arranging for replacement on an historical-cost basis, the nationalised industries were not providing for the redemption of their capital on any basis. The Coal Board, for example—and I do not think there is any dispute about it—has fallen behind in that regard, and, in my submission, it is a perfectly fair interpretation of what Sir Oliver Franks said to say that pricing policies should not fall below the point where a nationalised undertaking is failing to replace its capital, far less of making any provision to finance new capital expenditures", that is, for self-financing.

(Mr. Poole): Did I understand you aright and did you say that some of the nationalised companies are not even depreciating on historical-cost basis?

(Mr. Rippon): I think you will find their deficits are so great that that is the inescapable conclusion. They are, of course, making provision in the accounts for depreciation on historical-cost basis and then showing a deficit, and, obviously, there is no self-financing in this rather queer way in which we talk about it where you have no profits. I was only meaning it in that sense.

(Mr. Poole): I see.

(Mr. Rippon): I think it is true to say that all the nationalised industries—with the possible exception of the electricity industry, which is making some progress in the other direction—are only depreciating on the historical-cost basis. If, of course, they then still end up with a deficit, they are not, in Sir Oliver Franks's words, even providing for the replacement of capital. I should not have thought anyone would make the suggestion in 1956,

or that, that they were anywhere near the position in which they ought to provide their own finance for new capital expenditure. In my submission, all Sir Oliver Franks is saying is: "We accept they have got to have this high capital expenditure"; he does not say, because it is obvious to everybody, that it has to be provided by the Exchequer, because the nationalised industries at present have no credit in the open market, but he was going on to say: "Their present policies, however, should, at any rate, provide for the replacement of capital", and so far as those whom I represent are concerned, we would not object to that as a principle to be applied to London Transport.

Let me, perhaps, put it in another way: In my submission, a far more relevant comparison is not with private enterprise, but with Local Authorities. They may, and some of them do, finance a small proportion of their capital expenditure out of revenue; either items up to £x, or items with a very short life, or some of the larger ones in a buoyant year will provide a sum which is defined to meet capital expenditure out of revenue. In the case of the London County Council I think it is now about £2½m. a year out of a capital expenditure of £30m. a year. Normally, the Local Authorities borrow their money. They do not attempt to depreciate an asset such as a house, they simply provide for the redemption of the capital over the appropriate number of years.

(President): Have they all got power to do so even if they wanted to?

(Mr. Rippon): I think in the case of a separate little undertaking such as a swimming-bath they occasionally have some provision for a renewal of plant and machinery fund.

(President): I am not asking what they do, but have they power to choose between the two alternatives now?

(Mr. Rippon): Yes.

(President): All Local Authorities?

(Mr. Rippon): I do not think they would in respect of a house; there, I think, they simply redeem the capital. What is significant is that they do regard the two as alternatives, and that is my submission. If they have a Renewal Fund for plant and machinery, for example, then you may say that is a provision for depreciation, usually on a rather *ad hoc* basis; but in that case there is no provision for the redemption of capital. There is never any suggestion that you should make provision over and above the redemption of the capital in order to replace the house in 60 years' time when it is potentially at its replacement value, and it is just as unreasonable, in my submission, to do it, or try to do it, for the Piccadilly Tube line or any other asset which has a life of 20 years or more. In my submission, depreciation on historical cost is, in fact, exactly the same thing as the redemption of the liability; it is the replacement of the capital of the undertaking over the estimated life of the assets, and if you take Sir Oliver Franks's words in that sense, it seems to me an absolutely unexceptional statement. It does not, in fact, go further than that. It follows accordingly, logically, of course, that to the extent you make provision for the redemption of capital, then you should correspondingly reduce any provision for depreciation on the historic-cost basis.

I put some questions to Mr. Winchester on that on Day Seven, page 154, Q. 1842: "There is another matter which I would like you to explain to me, and that is the position as far as capital redemption provisions are concerned, which is page 11, Volume 2, of the 1957 Report, Paragraph 12: 'Section 93 of the Transport Act, 1947, provides that amongst the charges to be made to revenue there shall be a proper provision for the redemption of capital and the detailed requirements are set out in the British Transport Stock Regulations, the British Stock (Amendment) Regulations, 1949 and 1955. The period for which provision should be made for redemption is 90 years', and so on. I think it is done at a rate of 3 per cent., and the provision in 1957 was £3,268,000?—(A) Yes. (Q) Is a similar statutory provision made in respect of the electricity industry?—(A) I expect so. (Q) You do not know?—(A) I should think it is probable; I accept it from you. (Q) I do not think it is the position. I will not go now into how we ought to interpret the Statute, but, as you understand the position, the



23 February, 1959]

[Continued]

statutory requirement is that earnings must be sufficient, not only to maintain your capital intact, but also to repay the borrowed capital over the life of the assets?—(A) No; over 90 years is a good bit longer than the life of any assets we have. (Q) That is a concession, as it were?—(A) No, the repayment over 90 years makes the thing *de minimis*. £3m. is, perhaps, a little more than *de minimis*, but it is very small in the context of the total value of the assets. (Q) You do put aside this sum, in accordance with the Regulations that have been made, at the rate of interest which has been fixed?—(A) Yes. (Q) What I was going to suggest—and this may not be within your knowledge—is that the Electricity Board and, I believe, also the Gas Board, 'subsume' this provision under the general depreciation head, regarding them as alternatives?—(A) Yes, I have some recollection of this. I believe they discussed the reasons for it in some of their earlier Reports. (Q) Would you agree that, logically, they are alternatives?—(A) I am sorry, but what are alternatives? (Q) Would you agree that, logically, they are alternatives?—(A) What are alternatives? (President): Mr. Winchester wants to know what 'they' mean in the question, and we got a little at cross-purposes, Sir.

Q.1851: "You can make provision either under capital redemption or under a general depreciation heading, but you should not necessarily be required to do both?" to which Mr. Winchester replied: "I do not want to start to appear to be criticising or judging what the electricity people do. I would think that the logical and obvious way to do it is the way we do it, and if you do it the other way you must have some special reason or justification for doing it in that way. I seem to remember that they were going to some lengths to establish that justification. (Q) To the extent of £3m. a year in the Capital Redemption Account you may be making a greater provision than the electricity or gas undertakings?—(A) Not unless you can establish that our basis of depreciation is so generous as to be held to embrace that figure."

First of all, in my submission, the basis of depreciation does embrace that figure; in so far as the British Transport Commission are depreciating on an historic-cost basis, they are embracing the redemption of capital.

Then Mr. Winchester suggests that the British Transport Commission's view and not the Electricity and Gas Boards' view is the logical, obvious way of doing it. In my submission, that is not the logical and obvious way of doing it, but I imagine that the Electricity and Gas Boards were in some difficulty in explaining their views about it because of the difficulty that arises out of the statutory provisions. Mr. Fay referred to the position at the outset of his cross-examination of Mr. Lawson on Day Thirteen, page 289, Q.4371—

(President): Mr. Rippon, were you at the 1950 Inquiry?

(Mr. Rippon): No, Sir.

(President): Then we were both absent. I have always understood that this question of the redemption obligation was one of the matters which were much discussed then, so we are going back a good way now.

(Mr. Rippon): I am sorry if it is revived, but it is, in my submission, important. It may not be a great sum involved at the present time, because this is, again, one of those things which are a Commission figure and not a London Transport figure and it is so difficult to break it down, but at any rate, whatever was decided in 1950, the Commission are now suggesting that the two should be taken together and not regarded as alternatives.

(Mr. Poole): Would that apply to all their assets? I remember this well in 1950. Sir Reginald Wilson made a point that they had two different kinds of assets; they had the rolling-stock, and so on, for which provision was made for depreciation on historical cost, and they had the other assets such as tunnels, railway stations, and so on, which were not depreciated at all, and they were relying, really, on this particular clause we are discussing at the present moment with regard to redemption over 90 years, really, as the depreciation of those particular assets.

(Mr. Rippon): If that is the position, then that is perfectly satisfactory. If the redemption of capital is regarded, for the purpose of certain assets, as an alternative to historic-cost depreciation, then it does not come into our picture at all; but that still leaves the difficulty

dealt with in the question Mr. Fay put to Mr. Lawson. He was cross-examining Mr. Lawson at Q.4369: "What other consideration moves you in attaching this importance to the loan capital?—(A) The consideration that if you want to borrow to assist in providing the money for replacement you can do so in the knowledge that the total which you then borrowed, expressed in terms of real value, is no greater than it was when you bought your original assets. (Q) Because the currency is depreciating, you think it is right that the loan capital should gradually increase to keep pace, in effect, with the depreciation in the value of money?—(A) Yes, I can see no harm in it."

Then Mr. Fay says: "There is a statutory obligation to provide for the redemption of capital on the Commission; you know that?—(A) Oh, yes, I know that. I have provided for it in my figures."

Then Mr. Fay went on: "But it looks as though Parliament did not contemplate that the loan capital should go on increasing in times of inflation, does it not?", and then Mr. Lawson made the point that Parliament did not contemplate that they were going to stick the poor public with this type of Stock, but I am not going to follow that line of thought. What I do contend is that there is no reason for drawing the conclusion from the statutory provision that Parliament expected the nationalised undertakings to both depreciate on an historic-cost basis and provide for the redemption of capital, and so to that extent to be self-financing. It may be, after what Mr. Poole has said, that that is, in practice, what is happening.

The Statute is curiously phrased. It is Section 93 which says this: "The Commission shall charge to revenue in every year all charges which are proper to be made to revenue, including, in particular, proper allocations to general reserve, proper provision for depreciation or renewal of assets and proper provision for redemption of capital, and all payments (including the payments which are by the relevant provisions of this Act, or by any other relevant statutory provision, to be deemed to be capital payments) . . ." I think one should stop there. It refers in particular to "provide allocations to general reserve, proper provision for depreciation or renewal of assets, and proper provision for redemption of capital". The only way I can interpret that is that it is all to be read in one phrase: "Proper provision for depreciation or renewal of assets, a proper provision for redemption of capital", and "and" in that context, in my submission, may be interpreted as "or". In other words, Parliament was saying you do either: You may write off your assets by way of a provision for depreciation or, where that is not the suitable way of dealing with it, for example in the case of a tunnel, then you can provide for the latter by way of proper provision for redemption of capital. It would be wrong, in my submission, to interpret that as suggesting that Parliament meant you should do both, both make provision for redemption of capital and the provision for depreciation, which, in fact, if you apply it to all the assets, would be a double provision.

(Mr. Poole): I had a hand in drafting that particular clause, I am afraid. I remember now I was on a Committee which sat for many hours on various clauses, and I remember that particular clause; but I suppose I had better not say any more about it. It is a long time ago now, and my memory is not so good as it was.

(Mr. Rippon): Perhaps I had better move from possibly treacherous ground. I do not want to comment on what the draftsman of the Statute said.

(Mr. Poole): It does not follow, of course, that what we meant is what was meant by Parliament.

(Mr. Rippon): No, that is true; we can only look at what you said.

Then Mr. Fay went on to put some other questions on this matter to Mr. Lawson on the same day at Q.4509, page 293: "But the statutory requirements about general reserve and about meeting outgoings, taking one year with another, are identical in your industry with the requirements under the Transport Act?—(A) Curiously enough, it has been interpreted differently in our industry; we have not provided for reduction of loan as well as depreciation."

The Statute is not very different. Section 45 of the Electricity Act of 1947 is headed: "Sums which are to

23 February, 1959]

[Continued]

be chargeable to Revenue Account", and it says this: "The Central Authority and the Area Boards shall charge to Revenue Account in every year all charges which are proper to be made to Revenue Account, including, in particular, proper allocations to the Central Reserve Fund (but not including, in the case of an Area Board, allocations to an Area Reserve Fund), proper provision for the redemption of capital and proper provision for payments which are, by the relevant provisions of this Act", etc. So it is really the same sort of words in the 1947 Act charging the electricity industry to make proper provision for the redemption of capital and proper provision for depreciation of assets or renewal of assets. Again there is no comma, and I would submit that you should read "and" as "or". They certainly are logical alternatives, and we certainly have Mr. Lawson's evidence that they are so treated by the electricity undertaking, and, I believe, the Gas Board does the same thing, although Mr. Winchester was not able to confirm that out of his own knowledge.

(President): I thought the old view was that you had to pretend there were no commas in Acts of Parliament, although I never understood how you could do it.

(Mr. Rippon): Anyway, there are commas in that section, and I think one could still, under an old or new Act, read "or" for "and" with propriety if anything else would, as in this case, with all due respect to the draftsman, get you in some difficulty in regard to a double provision for the same thing. But, in my submission, in any event it would be stretching the Act of Parliament to suggest that my learned friend Mr. Fay is right and that there is anything in those statutory provisions which suggests that Parliament did not contemplate that loan capital should go on increasing in times of inflation. Indeed, in my further submission, of course, it is quite wrong to build up reserves in any event on the basis that inflation will, or may, continue. If it does not continue you take money from the public which will eventually not be wanted, and if there is deflation or falling prices that is certainly so. The only time when no harm is done is when there is, in fact, no difference between the historic and replacement costs because of a period of stable prices. If inflation does continue, then the increase in loan capital and the consequent increase in loan charges does not, in my submission, impose any heavier burden on, if I may be forgiven for using a phrase which I know you do not like, the public of the future, because, in my submission, the public of the future, in those circumstances, would be in a better position to bear it in real terms. I would take that view even in relation to what is obviously the exceptional case of the Piccadilly Line, where costs have, apparently risen by five times in just over 30 years. You certainly would not be justified, in my submission, in proceeding on the basis that that was likely to happen over the next 30 years; but even if it does happen, or anything like it, then when the Commission comes to replace these assets the borrowing will be cheaper in real terms.

(President): Would you be troubled if we adjourned now, Mr. Rippon?

(Mr. Rippon): If I may say one further sentence, it is really a reference to Mr. Lawson's sporting chance that the public will benefit from the technological or other improvements. I would put it higher than that; it is better than a sporting chance, it is really a position where you may win, but you cannot lose if you leave things as they are.

(President): That would be very satisfactory here and elsewhere.

(Adjourned for a short time.)

(Mr. Rippon): When we concluded this morning, Sir, I had just come to the end of making a general submission that in the case of an undertaking without equity or share capital it is perfectly in accordance with the Statutes and sound commercial tactics and equitable for future travellers to provide simply for the replacement of capital either by redemption of capital or by way of depreciation on an historic cost basis.

I should like to turn now to the second of the grounds on which the Commission base their case; that is broadly the theory and practice in other nationalised industries.

I think it is perfectly clear that for a very long time there has been a conflict of opinion on the whole question of self-financing, as regards private industry in particular, but if in some respects the theories are changing, so far as the nationalised industries are concerned—and that is what Mr. Winchester said—in my submission the practice certainly is not.

I put to Mr. Winchester in cross-examination some extracts from the addresses which Sir Reginald Holmes Wilson and Mr. John Latham, who was then the Director General of Finance of the National Coal Board, but now I believe Deputy-Chairman, gave at this 1954 Conference organised by the Institute of Municipal Treasurers and Accountants, and in answer to Question 1895, Day Seven, page 157, Mr. Winchester said: "I would say opinions are hardening all the time, and when we get up to date, perhaps, we will get the right answer".

But, in my submission, Sir, it may well be that like most economic theories, they get out of date by the time the opinions have hardened, because the facts have changed by the time the theory is formulated, and it was my submission, that such case as there is for self-financing was probably much stronger in 1954 than it is today, when at any rate inflation is being held in check to a somewhat greater extent.

I do not want to re-read the extracts from Mr. Latham's address—that might take some time—but I would like to take as my text the summing-up of this conference which was given by Sir Harold Howitt, the past President of the Institute of Chartered Accountants in England and Wales, who was one of the "Three Wise Men" who comprised Lord Cohen's Council on Productivity, Prices and Wages. This was a conference organised by the Institute of Municipal Treasurers and Accountants, but it was, in fact, a rather high-powered gathering and was very representative of the Nationalised industries.

Its Chairman was Sir Malcolm Trustram Eve, and the principal speakers were Sir Edward Bridges, Permanent Secretary, H.M. Treasury, Sir Reginald Wilson, Mr. John Latham and Mr. J. G. L. Francis, Chief Accountant to the British Broadcasting Corporation. It fell to Sir Harold Howitt—

(President): I think you will have to let us have this volume afterwards, Mr. Rippon, as we have not a copy.

(Mr. Rippon): If you please, Sir. It fell to Sir Harold Howitt to sum up, and he pointed out first of all: "In trying to summarise the position concerning Nationalised Undertakings one is conscious of the wide diversity of their problems. Their only common factor seems to be that of State ownership".

Dealing with the case of transport, he said: "In the case of Transport, we have heard of the difficulties of supporting unprofitable routes, and, for instance, in London, of the losses on tubes having to be carried by the profits on buses. This reminded me that in the arbitration proceedings to fix the compensation to buses, their Counsel, commenting on the Tubes, said: 'What is the value of a tube, a hole in the ground that is losing money. It seems to me that its chief value is that it would provide an excellent kennel for a dachshund of almost any length.'"

However, that was not the main observation he had to make on the Transport Industry. He said: "These are only samples of the difficulties and differences which arise in attempting to sum up such a picture. But as it is my duty to try, I wonder if I might suggest the following as some of the matters emerging in the discussion on which there seems to be agreement, or on which agreement should be reached:—

"1. The Chief Executive must be ultimately responsible. His Finance Officer is his hand-maiden, even if at times she has to be very blunt.

"2. The object of each industry should be to pay its own way; subsidies as such are not desirable; at least they should not be so described! This raises the question which used to be called in one industry the 'Square deal', and today we hear it again when the farmer contends that his subsidy is really a subsidy to the consumer. It seems to me that if profit or loss is to be one of the final tests of efficiency—and many of the Charters of the Nationalised Undertakings put this responsibility squarely on them—it is necessary to have some arbiter—possibly a member



23 February, 1959]

[Continued]

of the Cabinet as was the case in the war—to settle disputes between the different Undertakings. I have in mind such matters as the fair price to be paid for the Airmail Contract by the Post Office; the charge, say, to the Colonial Office or other Vote, for the cost to the B.B.C. for overseas broadcasts; the relief in extreme cases, of any undertaking for some unprofitable venture which it has to keep going for the benefit of some special section of the community.”

I do not think those two preliminary observations concern us very much, but the next observations are, I suggest, of interest:

“3. However financed, profits should be kept to a minimum—reserves though permitted under the various Charters, should be much smaller than in private enterprise and should be more related to commitments.

“4. There should not be charged both depreciation of the assets and sinking funds for amortising the indebtedness, whatever the Acts of Parliament may have said on the subject. To charge both would not be fair to the present generation of consumer.

“5. Depreciation should be based on original cost except in so far as the double account system may be in force.”

(Mr. Fay): What is that?

(Mr. Rippon): I think there has been a little difficulty in interpreting that, Sir. I think it goes back to the days of the old railway days, when it was necessary to make provision that if you raised £1m. you could not show in the accounts both where the capital was raised and where it had gone. The second is the more current view; I think you have it only in the private undertakings, where there is no specific provision for depreciation but there is a renewals fund, supposedly based on a double account system.

(President): Is it a common phrase? I must admit to my ignorance in not having heard of it at all.

(Mr. Rippon): I did ask Mr. Hill if he knew exactly what Sir Harold meant and he did say that it really only relates to the private undertakings unless you take the very old view of the matter; but I do not think it affects the argument in any way.

“5. Depreciation should be based on original cost except in so far as the double account system may be in force. Nothing else would be politically possible”—that was a somewhat unfortunate way of putting it.—“It would not, for instance, be permissible or desirable to show the level of profits or reserves which would result if depreciation on replacement cost were adopted.

“6. It follows from the above that development and extensions should be met largely out of borrowings.

“7. It further follows that efficiency is to be controlled largely by tests such as standard costs and budget forecasts, etc., rather than by profits earned.

“8. Long-term planning is essential even if the estimates are continuously scrapped.

“9. Financial incentives are not encouraged except perhaps in the Coal Industry.

“10. Some degree of accounting uniformity might, with advantage, be introduced, say, in such matters as the proper treatment of initial allowances, and as to whether profits should be stated before or after the charge for interest on the capital stock.

“Having gone so far may I plug further and say that in the last resort it seems to me that the place of finance in public administration is to hold the balance fairly between different groups of people. In the case of the Government the aim is to maintain an efficient standard of defence and wellbeing for the community, and to apportion the cost fairly between individual citizens largely on the basis of their ability to pay. The same principles apply to a certain extent in Municipalities and there is an increasing tendency in their rate collecting to differentiate between rich and poor. They also, in many of their Departments, have to hold the balance fairly between consumers as well as ratepayers. In the case of the Nationalised Undertakings it seems to me that when one looks through the machinery of control and accounts, etc., to the object behind them, their main responsibility

is to hold the balance fairly as between the succeeding generations of consumers.”

It is difficult to differentiate between those expressions of view and the expressions of view by the Cohen Committee; if you can hold the balance properly between the public at present and the public in the future, not putting upon the present generation costs which will be incurred in the future, you should only make a provision to meet the working expenses and the proper contribution to Central Charges, but you should not build up this reserve by building up depreciation on a replacement basis, and self-financing should be largely, as Sir Harold Howitt suggests, out of borrowings.

In their references to the theory and practices of the Nationalised industries, the Commission, of course rely mainly—it is the high-water mark of their case—on the Report of the Herbert Committee. Indeed, Mr. Winchester agreed—for the record it is Day Seven, page 155, Question 1873—that he did not say that any practices supported the contention of the Nationalised Boards except electricity, and as we know, that does not go as far as the Commission proposes for London.

Perhaps before I deal with that it would be convenient to get out of the way, as it were, the other references that Mr. Winchester made on policy and intention, first of all to the Chambers Committee Report. I would only say so far as that is concerned, that there is only one paragraph, as you know, paragraph 278, which deals with this matter at all; that paragraph refers only to one class of assets, the railway rolling stock, and I would submit really that the consideration of the question of depreciation did not fall within the terms of reference of the Chambers Committee at all.

They were fairly limited terms of reference, Sir, and they are set out at page 1 of the Report. Paragraph 2 says: “Our terms of reference are: ‘To inquire into the conduct of the undertaking carried on by the London Transport Executive (excluding any questions relating to charges) with a view to ascertaining what practical measures can be taken by the British Transport Commission and the Executive in order to secure greater efficiency or economy, and to report’.”

In my submission, Sir, self-financing was not within their terms of reference. That is not surprising, because paragraph 18 makes it quite clear that the Scheme of Delegation does not leave these matters in any sense under the jurisdiction of the London Transport Executive, who have to get approval from the Commission in relation to all capital expenditure projects exceeding £50,000. So even if they had their £10m. in the notional Reserve, they could not spend it without approval under that head, apart from anything else.

(President): But still, whether they could have been blamed if they had left this topic on one side altogether, they did not leave it on one side.

(Mr. Rippon): No, Sir.

(President): I forget who was the Chartered Accountant on the Chambers Committee.

(Mr. Rippon): It was Sir Thomas Robson, Sir.

(President): Yes, and Mr. Chambers himself is an ex-Inland Revenue man, and Vice-Chairman of I.C.I. He may be assumed to have known something about financial matters, Mr. Rippon.

(Mr. Rippon): Yes, Sir; I have never suggested otherwise that there was a conflict of opinion on these matters. All one can do is to arrange the views of car mile, economists and accountants on one side or the other. I say only that the Chambers Committee probably did not go into it in very great detail.

(President): Yes. Which is the paragraph?

(Mr. Rippon): It is paragraph 278 on page 64, Sir. Perhaps I may read it: “Depreciation of railway rolling stock in 1953 amounted to £93,188 or 1.15d. per car mile. This depreciation is based upon the original cost of the rolling stock. If the provision were based upon the cost of replacement at present-day prices the provision needed would be rather more than twice the figures actually charged in the accounts. In due course London Transport will have to replace this rolling stock and so long as the undertaking's revenues are insufficient to enable sums to be set aside to provide for the full cost of replacement



23 February, 1959]

[Continued]

it cannot be said that the finances are on a satisfactory basis or that, taking one year with another, the undertaking is truly paying its way. In this respect the position of the London Transport railways is worse than that of London Transport's road services because a large proportion of the road vehicle fleet has been replaced fairly recently at a relatively high cost so that the present depreciation charge in respect of these vehicles is not very different from what the charge would be if it were based upon the current cost of replacement."

I would not say that you should neglect that statement of views, especially as the Commission to some extent rely upon it; I only say that for reasons I have suggested, it is not perhaps so weighty as some of the other evidence on this matter where the people concerned have been addressing their minds predominantly to the circumstances in which self-financing is justifiable.

The second set of reports to which the Commission has referred are those of the Iron and Steel Board. In my submission, Sir, they were concerned there only with determining, in a competitive industry with a rising demand, what the standard profit margin ought to be. I will not describe it as in any sense a price-fixing agreement, but the calculations they made for that purpose were expressly stated not to be based on provisions actually made.

I think I made some reference to that at page 155 of Day Seven, Question 1865 to 1868 in my cross-examination of Mr. Winchester.

Then we can turn from that to the Gas Board; Mr. Winchester conceded that he knew nothing about the policies of the Gas Board, but he did have some recollection that they regarded the provision for depreciation and for capital redemption as alternative. He said that in answer to Question 1848 on page 154, and he also said in answer to Question 1873 that in practice the Gas Board depreciated on an historic cost basis.

(Mr. Fay): That was not in Question 1873.

(President): I thought he said he did not know what the Gas Board's policies were.

(Mr. Rippon): He did not know what the policies were, but he knew what the practice was.

(President): But he does not expressly say so; what he does say is—

(Mr. Rippon): Yes, Sir—"I did not say any practices support the contention of the Nationalised Boards, except electricity".

(President): Yes—"electricity".

(Mr. Rippon): So far as the Coal Board is concerned, there is no dispute that they have depreciation on an historic cost basis and make no provision for replacement; the reference to that is Question 1888: "Is the position, so far as the Coal Board is concerned, that they depreciate on an historical-cost basis and make no provision for reserve?—(A) Yes".

Mr. Winchester brought us up to date with their statement of policy which is broadly speaking in line with what the Commission are saying now. That is set out in paragraph 68, page XV of the Report of the Select Committee on Nationalised Industries (Reports and Accounts) printed on the 29th April, 1958, Stationery Office Publication, 187-1: "To carry out their statutory duty, the Board aim to sell coal at prices which will—(a) cover costs; (b) provide for the replacement of fixed assets at current prices; and (c) make such further contribution towards the financing of capital investment as may seem desirable".

However the question is perhaps so far as they are concerned an academic one, and the provisions so far as depreciation is concerned are set out in paragraph 73 to 79. Paragraph 78 says: "The Board are not debarred by Statute from including in their prices an element which would enable them to build up financial reserves (or pay off a deficit)—that is a somewhat different thing from saying that they must do so by Statute.

Then in paragraph 79 they say: "Furthermore, Your Committee found that, although the Board think that their prices should contain a contribution to their capital investment, they have never yet done so; in the past few years, they have not in fact even covered costs and depreciation". As I was saying earlier this morning, Sir,

that is the sort of point which I think Sir Oliver Franks had in mind.

Then there are two questions in the evidence which I put to Mr. Winchester in cross-examination: they are now to be found partly at Day Seven page 158, Question 1909 and partly in the corrigenda on Day Ten at page 242. It may be rather convenient if I were to read them again; otherwise it is a little difficult to follow.

On page 242 you will see: "May I read questions 330, 331, and 332 on page 51 of the Minutes of Evidence given by Sir John Maud and Mr. Ayres where the Chairman of the Select Committee asks these questions: 'Now, we have one or two rather more specific questions to put to you. When you are considering the elements that go to make up the pricing of coal do you allow for depreciation at historical cost or at current cost?—Again, to be pedantic, we do not do this—'."

(President): It is we do not do this; the accent is on the "we".

(Mr. Rippon): Yes, Sir. "It is the Coal Board who present to us the results of their calculations, and they do their depreciation to the satisfaction of their auditors, I think, on the basis of the historical cost. We have often had discussions with them, as part of these general conversations, as to whether that is the right basis or not, and in fact I think both they and we have agreed about the advantages of increased self-financing so far as that is concerned, 331. So in effect the question is covered by the point that you agree with them that they must go further towards self-financing, and when they say that they wish to cover not only historical costs but also replacement costs and also a surplus, you go with them to that extent?—Well, there is the general point that on self-financing I have found agreement in discussions between the Board and ourselves. On the question of whether at this particular point of time you so put up prices as to increase the amount of self-financing, that is part of the general question of how much you should at the moment put prices up in view of all the circumstances and the state of the economy. 332. Then you do not consider it so important that they must cover depreciation at current costs of replacement—that you would always allow them to earn enough to do that?—Certainly not. There is no overriding priority for that or for any other one consideration". It is not perhaps always a matter of what the financial theory may be; there is certainly more evidence to show that in theory the Nationalised Boards are prepared to concede that there is something in this point of self-financing, but equally in practice they are doing nothing about it. In my submission, Sir, that is a wrong theory and if it was ever right at all it was more right some years ago than it is now.

I turn now to a few observations in detail on the Herbert Report; that is the report of the Committee of Inquiry into the Electricity Supply Industry, Cmnd. 9672, and Chapter 15 is the important chapter. Even assuming that Mr. Lawson is wrong in his suggestion that the Herbert Committee did not apply their minds at all, or that they applied them insufficiently, to the distinction that should be made between equity and loan capital, nevertheless in my submission the Herbert Committee are considering an industry where circumstances are very different from those obtaining in the Transport Industry today, and that is a factor, as Sir Harold Howitt pointed out in the 1954 Conference, which cannot be lost sight of.

I put a number of questions to Mr. Winchester on this point; that is Day 7, page 152, and it is Question 1789 and following. I do not think at the moment I need read through them all, but rather summarise what I have suggested were the differences, the first one being that the electricity industry was making a profit. In my submission, Sir, that is why it was much more relevant for the Herbert Committee to go into this question of the difference between a depreciation charge based on replacement cost and one based on historic cost for the purpose of determining how the accounts should be drawn up for the purpose of determining a figure of profit which would give a fair picture of the state of the industry. That is what paragraph 331 of the Herbert Committee Report, on page 87, is really dealing with.

Moreover, it is made perfectly clear in that chapter, at paragraph 344, that this is an industry in which the demand is strong and rising, which of course is quite a

23 February, 1959]

[Continued]

different situation from the one which is faced by the London Transport Executive or the British Transport Commission today.

In those circumstances the Herbert Committee could well go on to say in paragraph 344: "It would be quite possible to raise prices to an extent that would enable a good proportion of the capital needed for expansion to be internally generated. These prices would not, however, have been fixed in open competition and the surpluses accruing would not have been won as the price of efficient rivalry. Further, the policies adopted by the management of the electricity supply industry are not subject to the ultimate sanction which can be exercised by shareholders of a private undertaking".

Then in paragraph 345 they say: "In such circumstances, to use prices charged to the consumers as a device for raising capital for expansion is to impose compulsory saving on electricity users; to make them pay, so to speak, a tax in proportion to their electricity consumption so that the community may build up the electricity industry for the benefit of future consumers. To make present consumers subsidise in this way the capital requirements of future consumers would in our judgment be quite inequitable".

Even although the price of electricity, so we are told, is only about 40 per cent. above pre-war, and even although the demand is rising, the Herbert Committee did not in fact advocate that prices should be raised to achieve the necessary margin between income and expenditure; they make that clear in paragraph 346.

They were also, in my submission, dealing with an industry in which the circumstances were different in this sense: They point out in paragraph 334 that after having taken into account factors (a) to (e), there really was not at that time a very great difference between historic cost and replacement cost. I think Mr. Lawson in his evidence suggested that for the electricity industry it made a difference of about 15 per cent. to 20 per cent., whereas in the transport industry it makes a difference of between 80 per cent. to 90 per cent. You, Sir, made the point that that was only a little sin; if in fact one concedes that it is a sin at all, in my submission it is relevant to take that distinction into account for the reasons given by Sir John Maude in his evidence to the Select Committee; you have to take into account all the circumstances which affect the industry and, of course, as we know, the electricity industry makes no provision for the redemption of capital.

So the position, so far as the Herbert Committee Report is concerned, seems to be that even in the much more favourable circumstances existing in that industry, the Committee put a very severe limit themselves upon what they consider to be proper provision for self-financing in fact; apart from their suggestion about current cost of replacement which in that industry did not make a very great deal of difference, they suggest nothing whatever to support the setting up of a general reserve for the purpose of self-financing.

(President): At the end of paragraph 340, do they not seem to be talking about something other than what we are talking about as a replacement reserve, Mr. Rippon? I do not know, but I should have said they were.

(Mr. Rippon): Yes, Sir; I think it follows from Mr. Winchester's answer to Question 1797. I quoted to him the extract which I have already read, from paragraph 345: "In such circumstances, to use prices charged to the consumers as a device for raising capital for expansion is to impose compulsory saving on electricity users; to make them pay, so to speak, a tax in proportion to their electricity consumption so that the community may build up the electricity industry for the benefit of future consumers", and so forth, and Mr. Winchester replied: "They were talking there about going too far in this matter, of course, and I quite agree that there ought to be some sensible limitations in the sense that any industry that has a monopoly should make profits and finance its own expansion." In my submission, that may be going a little too far; in my submission, paragraph 345 of the Herbert Committee report is the case against the provision in London Transport for a general reserve—that is so far as the object of the general reserve is, in Mr. Fay's words at Day 1, page 19, column 1, in the last paragraph: "The second object of a general reserve is to provide some sort of internal finance and thus arrest the ever-mounting

interest problem". In my submission, Sir, the Herbert Committee report arguments are dead against that assertion.

(President): But going back to the point about what the Herbert Committee had to say about the establishment of two kinds of reserves, I think you were saying that there was nothing in their report to suggest that apart from replacement they did not support the notion of a general reserve?

(Mr. Rippon): Yes, Sir; perhaps I had better deal with that.

This is paragraph 343, under the heading "Finance of Expansion", and it says: "In our opinion publicly-owned electricity undertakings should not go beyond the limits described in paragraph 341".

Paragraph 341 says: "We should regard it as no more than a modest provision against contingencies if this industry, with its annual revenue of £400m. and capital liabilities of over £1,000m., were for the time being to aim at earning, after providing for depreciation on the basis suggested above and interest charges, an annual average of, say, 1 per cent. on the capital employed".

(President): That is the general reserve, is it not?

(Mr. Rippon): No, Sir; it is a contingency reserve.

(President): Yes, or, if you look at the previous paragraph, a cushion.

(Mr. Rippon): Yes—"The industry should in our judgment carry sufficient reserves to cushion it against short-run changes in demand and costs and the need for violent or frequent alteration of tariffs", and then they go on, in paragraph 341, to refer to "a modest provision against contingencies".

That is why I say that I think the Herbert Committee report, in paragraph 345, is the case against the general reserve in the sense in which Mr. Fay used the term. He used it in two ways; he said that the second object of the general reserve was to make provision for self-financing; "to provide some sort of internal finance and thus arrest the ever-mounting interest problem". That is not what the Herbert Committee suggested should be done; what I suggest is Mr. Fay's first set of observations about the general reserve, namely the provision of a cushion. I am not suggesting that there ought not to be in this Scheme some provision for contingencies over and above what you say may be a proper provision for depreciation; but I submit that there is no case on the views of the Herbert Committee for saying that there should be a general reserve to provide some sort of internal finance and thus arrest the ever-mounting interest problem. They are not suggesting that in a public industry you should tax consumers, in a sense, "so that the community may build up the electricity industry for the benefit of future consumers. To make present consumers subsidise in this way the capital requirements of future consumers would in our judgment be quite inequitable".

That is really the case for the Objectors on the whole question of self-financing; it was not contended that it is good commercial practice, or equitable, that a nationalised industry should, in addition to either depreciation on the historic costs basis or redemption of capital, build up a reserve to meet future capital requirements, and it was, it appears, really of a contingency fund, in my submission, and not a general reserve in the way in which the Commission have in one sense been using the word, that the Herbert Committee recommended the provision of about 1 per cent. on the capital employed.

Of course, again it is not irrelevant, I think, that the electricity industry, even with its rising demand and lower prices, is not, on the evidence before us, making even this contribution, and if I judge the evidence of Mr. Lawson rightly—it is taken from the accounts of the undertaking—the electricity industry is at present only providing about 1 per cent. of the capital employed, £15m. out of £1,500m., for all purposes over and above the provision on historic cost—that is, both replacement cost and contingencies. I consider that there may be a case for the provision for contingencies in the nature of the headroom we have had in the past; if you follow the Herbert Committee, who had a shot at trying to determine the figure of contingencies, although as I think Mr. Lawson pointed out, nobody has ever yet followed it up, you get a figure of £1.5m. or £1.6m.; but in my submission, Sir, in an undertaking such



23 February, 1959]

[Continued]

as London Transport with its falling demand, they would be doing very well if they were to make a provision of rather under 1.0 per cent.—well under 1.0 per cent.—for replacement reserves, if you believe in it, and contingencies, taking the two together. You ought not in any event, in my submission, to make a provision for a general reserve if you accept the views of the Herbert Committee, apart from anybody else.

(President): Are you saying that the Herbert Committee did not recommend, in the case of the electricity industry, that they should calculate their depreciation by reference to current price levels?

(Mr. Rippon): No, Sir.

(President): They plainly did?

(Mr. Rippon): Yes, Sir; they said they would go no further than to say that provision ought to be made for the calculation of depreciation on the current cost basis, plus a provision for contingencies.

(President): Yes; I was going to take it in two stages. So far as the electricity undertaking is concerned, the Herbert Committee plainly thought it would be desirable that in calculating depreciation you should take into account the current price levels at the date at which you depreciate; that is plain, is it not?

(Mr. Rippon): Yes, Sir.

(President): And subject to the point that the Herbert Committee had forgotten that the electricity undertaking was financed by loans, that is a point which the Commission here can regard as being the expression of opinion of a responsible body; but the Commission is not in the same happy position as that of the electricity industry?

(Mr. Rippon): That is so, Sir.

(President): As regards the reserve point proper, the second point, you say that what the Herbert Committee approved of was the accumulation of a modest sum calculated by them at not more than 1 per cent. on the capital employed?

(Mr. Rippon): Yes, Sir, which they themselves describe as a provision against contingencies. They explain in the previous paragraph what they mean, and they go on to say that they would not go any further than that, because of the reasons they set out in paragraphs 344 and 345, which in my submission is the case against self-financing as such within the framework of the general reserve.

(President): What they say at the end of paragraph 345 is that what they have said above indicates the limits of self-financing. We must not stay upon words and adjectives, Mr. Rippon; they call these two measures, measures of self-financing, but they say that the self-financing ought to be limited in this way.

(Mr. Rippon): Yes, Sir, limited in the way they describe in paragraph 341, which is a contingency provision subject to the replacement of assets at current costs which, you can say, is a measure of self-financing. For that purpose I am afraid I was dividing the proposals of the Commission, whereas hitherto I had been tending to run them together.

(President): Yes; I think "self-financing" is the golden word—it includes both reserve out of revenue, and money which, if you do not reserve out of revenue, you would have to borrow then or at some future time.

(Mr. Rippon): Yes, Sir; that was the phrase that you used that I adopted.

(President): I am glad I said the same thing twice, or that I did not say different things about the same matter!

(Mr. Rippon): Yes, Sir; that covers both the replacement and the general reserve. The Herbert Committee supported it so far as replacement reserve was concerned and opposed it so far as the other was concerned; if you divide them, that starts that difficulty of self-financing—it sounds rather confused, but I think it is really clear.

So far as the contingencies item itself is concerned, those I represent say what we said at the 1957 Inquiry; that is, that it would be wrong for approval to be given for the accumulating or building up of a surplus for the purpose of anticipating hypothetical price increases or wage claims, particularly in view of the procedure for raising fares which is now available under the 1953 Act,

which I think is described as the "expediting" procedure. So far from adopting a policy of price restraint which Sir Oliver Franks was to some extent criticising, if you go beyond that point that would be going to the opposite extreme; it would in fact be an incentive to inflation to allow a surplus to cover further inflationary costs. There is a danger, if you try to stabilise fares that way, that you may do so at too high a level, or impose fare increases perhaps needlessly, but certainly prematurely to meet costs which may never occur.

Apart from all these high financial arguments that we have been considering up to now, Sir, I come back to the point which I made when I began, that there remains this overriding consideration that in determining fares policy, you have to have regard to the reality of the situation. I thought Sir Reginald Wilson put it very well when he said in answer to Question 97, at Day 2, page 48: "Of course, in real life the upper limit of the fare is dictated by market—you cannot get what the customer will not pay". That is really the point made by the Ridley Committee on Fuel and Power when they said: "No commodity can be sold at any price if no one will buy it, however much it costs to produce".

Whether you take 1948, 1951 or any other year as the base year, it is clear that the declining passenger traffic on the London Transport Executive is very serious; it is so serious in our view that in London you have in fact already passed the point of what Sir Reginald Wilson described as the psychological fare. That, in our submission, is borne out by the figures of falling traffic which I have quoted already, and by the estimated loss of traffic which is shown on Mr. Harbour's own estimates, and in my submission his estimates are not likely to be proved wrong.

The only criticism we would make is of the estimate of traffic trends; we think the likely fall at existing fares may have been exaggerated in Mr. James's budget for 1959. However, on the other, what they would submit is this, that no doubt Mr. Harbour's estimates will come out all right, as they have very often done in previous Schemes, but that would be because of two factors: First of all because of the over-estimate of the declining trend at existing fares, and secondly, by way of a deciding factor, the optimistic discount for the loss of traffic at the higher fares. We would have thought ourselves, with Mr. Hill, that it would be much more desirable, quite apart from the suggestion that fog is profitable to the Commission, that in the light of the experience of the provincial bus strike of 1957, the Commission may be taking too gloomy a view of the extent of the potential loss of traffic from the strike. We share Mr. Hill's view that there is some prospect, at any rate, of more of it being won back.

(President): It does not look like it so far, does it?

(Mr. Rippon): That is the difficulty we are always in with regard to the weather, Sir; it comes up at all these inquiries, and we always have this double argument. On one occasion we were complaining that the Commission had over-estimated the effect of the Festival of Britain, and therefore there would not be such an actual decline; but when you look at the figures afterwards, you are able to say that the estimates of declining traffic, owing to the higher fares, are right.

But if the Objectors are right in saying that there has been an over-estimate of the declining traffic at existing fares, the traffics have only come out right because the Objectors have been equally correct in saying that the loss of traffic at the higher fare as distinct from the decline in trend, will be greater than the Commission themselves believe. There is no way of quantifying any of these matters.

Sir Reginald Wilson was proud of the fact that he spent practically the whole of his time giving evidence-in-chief in talking about psychology as distinct from logic; but as I ventured to suggest to him, the important thing is whether you get your psychology right, and in my submission Sir Reginald Wilson's statement on Day 6, page 126, at Question 1271, when he said: "The loss of public good will from raising fares is far less in this country than the loss of public good will you experience when you are working at a deficit", is just about as wrong as it possibly could be, and it is part of the Objectors' case that



23 February, 1959]

[Continued]

if in the immediate future—it will come eventually—London Transport attempt to raise an additional £10m. of revenue from the Londoner in the way this Scheme contemplates, they will pass Sir Reginald's psychological fare, even if they have not done so already, and lose an amount of traffic and public good will that will be really out of all proportion to the financial benefit that they will receive at the present time. They would do far better from a commercial and financial point of view if they carried on as they are now and allowed the public to recover both from the effect of the last fares increase and the bus Strike. I think it was at Day Four, page 84, that you indicated that if you came to the conclusion that the estimates of the requirements of London Transport were so exaggerated that you would entirely alter the fare scale, you would state that the amount was excessive by £X.

(President): "Probably", I think I said.

(Mr. Rippon): Yes, Sir. I do not quite know how much reliance we can place upon the "probably".

(President): Mr. Rippon, we have followed different practices in the past. In some cases when we have reduced the Commission's estimate we have not enquired of the Objectors how they would like the fare scale proposed by the Commission to be altered, but on one occasion, I think where the reduction was very considerable, we did state that we thought that probably the extra revenue ought to be £X, and then we invited everybody who wished to come to the resumption of the Public Inquiry to tell us how they thought the new scale ought to be drawn up.

(Mr. Rippon): I am assuming that, in fact, it is only if there was a very considerable reduction in the total amount that that would arise, but I did not want to go into too much detail because if you accept the figures as they stand it is not possible, really, to make any alterations in the fares structure except in regard to some of the detail the Objectors might have it in mind to alter at a later stage. In any event, I can only usefully indicate the matters which concern matters of general policy.

(President): You can tell us, can you not, what priorities you want?

(Mr. Rippon): We are most gravely concerned about the proposal to abolish the obligation to charge early morning fares, the obligation which it has been indicated is one removed from being a statutory obligation but which, at present, has statutory force under the Scheme. We are also concerned about the proposal to increase the season ticket rates and modify the existing taper.

Perhaps the general picture can be shown by reference to Table East Ham 1, which is printed at Day Ten, page 244. That is a table which, I think in quite a simple form, shows the effect of the increases which we know are to be applied eventually and in full. If I may take, for convenience, one of the shorter journeys and one of the longer journeys. First of all, at line 4, you have the journey from East Ham to Liverpool Street, which is a journey of seven miles. In that case the early morning traveller faces an increase in his return fare from 1s. 11d. to 2s. 6d., an increase of 30 per cent. It is, of course, suggested in some of these cases that instead of doing that the traveller will be able to change to the weekly ticket, but, of course, at that sort of distance that does not really apply because the increase in the weekly season—assuming a five-day week—would involve him in an increased expenditure of just under 15 per cent.

(President): Of course, the weekly season even now would not pay for a journey from East Ham to Liverpool Street.

(Mr. Rippon): No. At that mileage the early morning traveller has got to pay a 30 per cent. increase in his fares. The line above shows the position somewhat differently on the longer journey; it is a journey from Benfleet to East Ham, a 23 mile journey, and there the increase in the fare will be of the order of 95 per cent., from 4s. to 7s. 10d., and even there if the traveller converts to a weekly season—again assuming a five-day week, which I think applies more generally now than it used—the increase in his expenditure will be over 60 per cent.; instead of paying 20s. he will pay 32s. 6d. Of course, we would say, as a general proposition, it is not very

likely, as far as the majority of the people whom I represent are concerned, that many of them would be able to change to the monthly or the three-monthly season ticket, whatever might be the theoretical economic advantages.

By road, of course, the effect over a period of years has been even more severe. If the Scheme is approved as it now stands, according to the Fifth Schedule of the Draft Scheme the fare for the ten mile journey will be 1s. 9d., and that compares with a fare for the same journey of ten miles in 1954 of 4d.; for the record, that is set out in Exhibit BTC 806 which we studied at the 1954 Inquiry. That went up in 1957 to the existing fare of 9d.; that is, in fact, set out in the Seventh Schedule to the British Transport Commission's Passenger Charges Scheme of 1957 as confirmed by Order dated the 8th August, 1957. That, Sir, is an increase of 425 per cent. between 1954 and this date somewhere in the future, but certainly coming, when the fare is to be 1s. 9d. That makes the rising costs of the Piccadilly Line look very moderate over a period of thirty-two years.

It is in those circumstances and with increases of this kind to come, albeit over a period of time the Tribunal has been reducing the benefit of the early morning concession, but with increases in the morning being talked about, we feel it is premature to abolish the obligation to provide early morning fares for some further period. It is the very fact that fares can increase to that level, by that amount of the order of 425 per cent., that is so damaging to the Commission's goodwill.

Of course, we have some assurances from the Commission that this will not be done all at once, and I put some questions about it to Sir Reginald Wilson on Day Six, page 136, Questions 1486 to 1493: "Is that not really the case for the early morning fares and the cheap day fares?"—(A) Yes. The total answer, of course, is possibly right. 1488: To that extent they are not concessionary fares, as you call them, they are really economic fares?

—(A) I think, as regards the workman's ticket, it has had, and still has, an element of it which cannot be called economic. 1489: An element?—(A) Yes, 1490: But in principle would you say it is really, on your argument—that is, on his argument about flexibility—"a good idea to retain early morning fares in some form or another?"—(A) It might be sound commercial common sense in some cases, and in some circumstances, to give a fare in the early morning which is lower than the fare paid by people in the peak. 1491: Does that answer represent a modification of the view you have expressed at other Inquiries, that really in London the early morning fare ought to be eliminated, gradually, but, nevertheless, as speedily as possible?—(A) No. We have been referring in the past to the elimination of the early morning fares as a statutory requirement, and to that we still hold. We are saying that we can imagine circumstances in which, as a matter of commercial judgment, we might think it proper to have a fare—and I hope it will not be called an early morning fare—in the early part of the day which is lower than the fare which is paid at the height of the peak. I am saying that, theoretically, that would not be unsound". We do not feel that is a sufficient assurance to give when fares are being raised by such a high percentage.

The effect of the increase on season tickets will also be considerable, even if in terms of percentage it is not quite as great as that which will be imposed on the early morning traveller. My learned friend Mr. Calvocoressi has worked out some percentages and I will leave him to take the responsibility, but the table East Ham 1 shows that at 7 miles the season ticket rate rises by 16 per cent., and at 23 miles it rises by 29 per cent. That is a matter of mathematics which I am quite sure is correct.

It may well be that increases of that character will be a hardship to some people. We are not really founding our argument upon hardship because, as I say, that is not a matter to which the Transport Commission may have regard, but, although we are dealing with passengers who may be described as essential, that does not mean, in our submission, that they are unable to take some steps, even in the monopoly conditions that exist in London, to mitigate their hardship by refusing to pay the increase. Mr. Harbour himself assumes what seems to us to be an unreasonably heavy loss of traffic in his appendices

23 February, 1959]

[Continued]

to BH 15. BH 15 Appendix "E" deals with the early morning travel on London Lines and assumes a discounted yield allowing for a loss of traffic of 15 per cent. (that is on Day Five, page 112) and Appendix "H", dealing with season ticket rates, shows a discounted yield allowing for a 7½ per cent. loss of traffic on British Railways London Lines and a 5 per cent. loss of traffic on the London Transport Executive Railways. It may well be, in those circumstances, that there will be many essential travellers who will be able to avoid paying those increases one way or another.

There is another aspect of the problem which Mr. Fay has advanced, which I referred to page 136, Question 1494, on Day Six: "In answer to Question 104 on page 48, after dealing with the question of how far one should charge a like fare for the like distance, Mr. Fay put this to you: 'Another moral concept which seems to have been handed down in railway charging is the idea that an essential traveller ought to be favoured in some way, as he has been by the early morning and season tickets in the past', and I suggested to Sir Reginald there might be another way of approaching this, which is the approach of the Objectors: 'Assuming that early morning and season-ticket holders ought not to be favoured as essential travellers, or that it is no part of the British Transport Commission's job to consider hardship, ought you not really to be considering favouring them as economic or regular passengers? Is not the basis for the special fare for early morning and season-ticket travellers, not that the traveller is an essential traveller, but that he is regular and so economic?—(A) That he is regular is one factor in the equation, that he buys a season ticket and thereby saves a good deal of administrative trouble is another factor. Those factors are both on the credit side. There are, of course, other matters to be considered on the other side of the coin'."

Then I suggested: "From the Transport Commission's point of view the advantage is the money in advance and possibly no loss due to sickness, bad weather or short holidays?" and Sir Reginald replied: "Yes. I do not suppose the sickness would help us particularly, because we would still run the train and the seat, or the standing room, would still be there. 1946: But you have been paid for it. It does not matter if the seat is empty so long as somebody has paid for it?—(A) I agree."

It is our submission that both the early morning traveller and the season-ticket traveller should be assessed in the way they have been in the past, not on the argument of hardship, but because they are regular and economic travellers, taking the long view. The early morning fare does two things: first of all, in our submission, it flattens the peak; and, secondly, it encourages factories and businesses to stagger their hours—

(President): It will flatten the peak somewhere in some places, but not necessarily everywhere. It really depends upon the hours at which everybody begins work in some centres. In London the latest hour at which some people come to work is fairly late, but in some provincial towns people are starting work in lawyers' offices, even in Barrister's Chambers, much earlier than anyone is normally astir in the Temple.

(Mr. Rippon): I think there is probably a greater difficulty in regard to the evening peak, but we would suggest that in the early morning there are a number of passengers—and we do not pretend to be able to quantify them—who get up early and go to their work by an early train and have breakfast at a cafe, and now, of course, the incentive to them, if the fare is the same, is to have breakfast at home and arrive at work on time, which, of course, does not help the Commission by encouraging the peak.

(President): What I was suggesting was that a general compulsory requirement on early morning fares—and this was Sir Reginald's argument, really—must be granted everywhere, and that would really mean that in some places it would have no beneficial influence on the peak at all because the persons concerned would be travelling at that time anyway.

(Mr. Rippon): Yes. Our difficulty is that the assurances we are given on that point are so vague and there is a considerable increase involved. Moreover, I put some questions to Sir Reginald about it and there is no disposition on the part of the Commission to apply to

London the same arguments about flexibility as they apply to the rest of the country. They do not accept the argument that we have often advanced ourselves that there is, in fact, a difference between the needs and travel habits, shall we say, of people living in Croydon and those living in East and West Ham; as far as Croydon is concerned, season tickets may be more important, as far as East and West Ham is concerned, the early morning fare is more important. It seems to us very difficult for the Commission always to argue that because of the monopoly that they have in London social contracts apply whereby people accept that you should pay a similar fare over a like distance, but when it comes to a question like this they come forward with the argument "Well, of course it is not really necessary in some places and it is in others". In our submission, the Commission should make up their minds; either they come forward with a Scheme which does really show they want the same degree of flexibility and they are prepared to apply the same degree of flexibility within the London area as a whole, or they ought to be required to maintain the early morning fares.

(President): Of course, if their figures are right and they want a degree of flexibility in London comparable with the degree of flexibility they say they hope to get outside, it would mean putting up the fares still further, would it not, from the fare scales proposed?

(Mr. Rippon): That, perhaps, is the answer to Sir Reginald's suggestion that, of course, there may be a case in one part of London but not in another and, therefore, we might keep it in one place but not in another. That argument he advances—which is a theoretical one—might be acceptable but for the fact that Mr. Harbour makes it clear that these are going to be applied everywhere regardless. He said we intend to apply these scales in full and we intend to get the maximum yield, and that means to say that although East Ham's case may be stronger, they will not get any concession on the early morning traffic.

We do not argue against that because of hardship—although it may incidentally cause hardship; we argue against it as being foolish, because the affect of applying a Scheme of this kind in this part of London will be to concentrate more of the traffic at the greatest rush hour in the morning. It will also, we feel, discourage factories and businesses from staggering their hours. Many factories and many businesses see the force of the arguments that are put forward by the Commission and other people about this, but they can only sell the project to their workers if they can say "Well, you get the advantage of the cheaper fare". This is a problem to which, again, the Chambers Committee did give some attention. It was, I would suggest, within their terms of reference, and in paragraph 123 on page 30, they said, under "Workmen's Fares": "The existence in London and some (but not all) other cities of a system which allows early morning travelling at sub-standard fares (workmen's fares) may have a marked effect upon the pattern of travel. No doubt the origin of this system was sociological and the original reasons for it may have disappeared. The provision of cheap fares for those members of the public who travel before a certain time may be no longer justifiable on the ground that they are drawn mainly from lower income groups. Nevertheless, if the existence of sub-standard early morning fares has the result that substantial numbers of passengers travel to their work before the morning peak period there is some gain to London Transport in this relief from peak loading which might be lost if the cheap fares were withdrawn. In so far as arrival at work early carries with it the ability to leave early this advantage to London Transport will be felt also in a relief in the heavy afternoon peak period. If, however, the great majority of travellers who arrive early on cheap early morning tickets return during the evening peak period, when the congestion is rather worse than in the morning, London Transport will have only a slender gain to offset the loss of revenue resulting from the existence of the sub-standard fares. We have not considered whether there should be any modification in the system of early morning fares in order to improve London Transport's finances (as this subject is not within our terms of reference) but we suggest that before any modification is introduced the effect of the system upon traffic in the peak periods needs



23 February, 1959]

[Continued]

careful consideration. If the arrangements for the sale of these tickets were such as to encourage the passenger to make the return journey before or after the evening peak period the net result might be favourable to London Transport because of the great need to encourage travelling in the off-peak rather than in the peak periods."

(*President*): That is a neat and courteous way of saying they are not giving any consideration to whether the early morning fare scale should be modified, and going on to suggest that there might be one respect in which it could usefully be modified. In fact, the last sentence is saying they are wondering whether, if early morning fares not merely required you to travel between particular stated times in the morning but also required you to travel home between particular times in the evening, it might be a good thing from the Commission's point of view.

(*Mr. Rippon*): We say you should not abolish the statutory requirement to provide them at this stage until there has been the careful consideration, to which the Chambers Committee refers, of this particular aspect of the problem. Our view is that there are a certain number of people, certainly, who travel early to work and breakfast in a cafe in order to save their fares and they may well come back at the peak hour and, to that extent, there is as the Chambers Committee says, probably only a slender gain; but as far as those who work in factories and businesses which have staggered their hours in order to encourage people to do so are concerned, the position is probably that they come up early in the morning and go home earlier in the evening.

(*President*): The difficulty is the people who at the moment, shall we say, come up early and have their breakfast near their place of work and go home at the busiest time, because merely abolishing the early morning fares will not mean that they will go home at a different time.

(*Mr. Rippon*): I think that is a potential difficulty, but it does not apply where it is a question of genuine staggered hours.

(*Mr. Poole*): The difference between the factory worker and the office worker is that the factory worker leaves home an hour earlier and goes back at the same time as the office worker.

(*Mr. Rippon*): Sometimes.

(*Mr. Poole*): As a general rule, do they not?

(*Mr. Rippon*): The only way in which you can deal with this is to keep early morning fares as a requirement for the time being and moderate them a little if you have to, but they ought not to be abolished altogether while this problem still remains unresolved. If the Commission came forward with a suggestion which would ensure that the early morning traveller came back at an off-peak hour in the evening, then I think Objectors might be very hard pressed to say that that was in any way unreasonable.

(*Mr. Poole*): In the 1950 Report there is a graph of the early morning travel which shows a sort of minor peak between 7 and 8 in the morning and a major peak between just after 8 and half-past 9, and then they are altogether in one bundle in the afternoon.

(*Mr. Rippon*): Yes. What will happen now, as we see it, if the early morning fare is increased to the same level as the ordinary day return, will be that the 8 to 9.30 peak will rise a little further. We have always been told that it is the highest point of the peak that determines the cost. It may not make very much difference in the evening, but in so far as there are some travellers, at any rate, who now travel at the early morning fare in order to save the higher fare, the tendency will be for them to travel at the more convenient hour. If their firms have already staggered their hours, then, of course, it will not make very much difference to them, they will still go on travelling at the time they are required to travel, but they will probably bring pressure to bear on their firms to go back to the same hours as everyone else. Moreover, existing firms will not be encouraged to stagger their hours in those circumstances. If, however, the Commission came forward with a proposal for modifying the early morning fare in such a way as to ensure that the traveller did go early in the morning and also came back at what is to them the most appropriate time in the afternoon, then I think there would be a case which would require very

careful consideration. But as things now stand, whatever the numbers are, we feel it will aggravate that problem of the peak, and that is not in the Commission's interests, apart from the interests of the travelling public.

What is even less in the Commission's interest is that increases in fares could drive people to cut down their travelling and particularly to shift their home nearer to their place of work. Quite apart from the social problems which arise from discouraging the distribution of population and industry outside these congested urban areas which I represent, there is clearly, in our view, a large potential loss of traffic which might arise from discouraging people from living any appreciable distance from their work. I did, on the occasion of the last Inquiry, refer to the report on the Usual Residences and Working places in the 1951 Census. I have given a copy to the Commission and I think it is sufficient, really, if I just refer to the figures in very general terms. The report shows that in 1951 the total of people resident in Croydon, West Ham, East Ham, Walthamstow, Wanstead and Woodford who worked elsewhere was 180,000, in round figures, out of a total population of about 700,000. I do not know how one arrives at what is the total working population in an area with a population of 700,000—

(*President*): The census treats any kind of occupation as "working", does it not?

(*Mr. Rippon*): Obviously in the 700,000 would be included a number who are not working, and so, in any reckoning, 180,000 people living in the area I represent and working elsewhere is a very considerable proportion. Of course, it works the other way, with a number of people coming in from other areas.

(*President*): Of course, those figures are made up by adding those Boroughs together, are they not?

(*Mr. Rippon*): I have done it in that way, yes, Sir.

(*President*): The movement from East Ham into West Ham, or West Ham into East Ham, would come into the East Ham movement figure.

(*Mr. Rippon*): Yes; some of them move over longer distances and some over shorter. Quite a lot of it, of course, is movement from these places into London. In the case of West Ham—whose population now is 166,900—according to the 1951 census there were 47,000 residents in the County Borough who worked elsewhere, and of that number just over 27,000 went in to London. Twenty-nine of them went to Croydon.

(*President*): Twenty-nine individuals?

(*Mr. Rippon*): Twenty-nine individuals. So there is a certain movement of population all the time.

It is a very broad, general question as to how far it is a good thing socially to abandon the old policy of a taper and the various concessions, if they may be so called, the early morning fares and season tickets, which did so much to encourage the dispersal of the population. That case has been put by the Clerk to the Heme Bay Urban District Council. That puts the case in the most severe way because they are the most affected people, but to a lesser extent it also applies to the Authorities whom I represent. From the point of view of this Inquiry the factor to be taken into account is the loss of traffic which will flow from people tending to move nearer to their work.

There are two other matters to which I ought to refer briefly. Those whom I represent are opposed to the proposals as they stand at present in relation to the all-night buses. Whoever else uses these buses, it is not disputed that they are used by many night-shift workers who rely mainly upon them, and we think it is fallacious to use as an argument for doubling the fares the fact that they may also be used by revellers. That, we feel, is incidental. The main purpose of the service is to get the night worker to his work. Although we concede that there may be some case for providing extra night buses to encourage extra travel by revellers and other people moving from one railway station to another, we say that at the very least these services should not be improved until something is put forward by way of providing vouchers or some other concession for the night worker.

This, again, is a matter to which the Chambers Committee made some reference in paragraph 119 on page 29. They said: "The objections to the introduction of extra



23 February, 1959]

[Continued]

late services at higher fares do not appear to us to be very strong. It is true that some of the users may be workers on night duty but at least one provincial city gives special vouchers to night workers enabling them to use the night services at day-time fares. We recommend that this matter of providing more bus services at night should be examined.

"One important factor which must be borne in mind is that the provision of an adequate public transport service at night by discouraging the use of private cars for night journeys might encourage the use of public transport in the day-time as well. In their competition with the private car London Transport must be at a disadvantage if their services stop at an inconvenient time and this disadvantage will affect their competitive power during the day. We suggest that this subject should be re-examined to ascertain whether the provision of extra services at night, coupled with an increase in the fares for all night services, i.e., all services operating after some fixed time, might be justifiable (subject to any concession for night workers which might be deemed necessary)—(a) financially; (b) as part of the duty to provide an integrated system of public transport throughout the area; and (c) as part of a campaign to encourage the use of public transport instead of private transport".

We would say we think there may well be a case for the expansion of the night services, which would appear to be a *quid pro quo* for the double fare provided that there is some concession for night workers.

(President): I suppose the rates of remuneration are higher for night workers, are they not, than for day workers?

(Mr. Rippon): I am afraid I would not be in a position to say, Sir. It might in some cases be so, but I do not believe the office cleaner or the nightwatchman are highly paid members of the community.

(President): The nightwatchman would be on duty before the all-night bus started. Is the office cleaner, in fact, travelling home or travelling to the office at 11 o'clock in the evening?

(Mr. Rippon): There is the point of deciding exactly at what time the all-night bus is going to start running. Presumably it is going to run from, say, 11 o'clock, subject to having a suitable notice stuck on the back saying it is an all-night bus because it is described as one, until the early hours of the morning. A lot of people in that class will be travelling on it and it seems to me to be a dangerous assumption to make that the night worker, being more highly paid, ought to pay double fares.

(President): On the other hand, it would be an even worse misfortune for the office cleaner and whoever the other class is—

(Mr. Rippon): I withdraw the nightwatchman, Sir.

(President): We will just take the office cleaner, then—if the bus service were withdrawn altogether, would it not, because if it is wholly and consistently uneconomical that may be the other alternative.

(Mr. Rippon): Of course, the Chambers Committee were thinking in terms of the double fare for the extra service bearing in mind the duty on London Transport to provide a proper system of transport, and if they are not going to do that I think we have even graver grounds for complaint than we have advanced so far.

(Mr. Fay): I am told office cleaners were a bad example, they in fact travel by the early day-time services. Perhaps as my learned friend has withdrawn his nightwatchman, he might tell us who the all-night travellers are. The only persons I can think of would be journalists and people concerned with putting newspapers to bed, although I have no doubt there are many others.

(Mr. Rippon): I was speaking of the cuff and I am afraid the nightwatchman came into my mind as the only thing that had "night" in it; that was obviously a bad example. What I have been basing my submission on is this, that many of the shift workers rely upon these services, and I was only trying to counter your suggestion, Sir, that there might be other people than night-shift workers using these services. I think all I can reply to your possibility that the night-shift worker gets more than many other people and so can afford to pay a double fare is that I would not accept that, but I myself have

no evidence to the contrary. I would only say that I think the Chambers Committee envisaged a double fare as a *quid pro quo* for an extra service, not as an alternative to taking the services off altogether. I should have thought that was quite an important distinction to make, particularly at this time when there is a tendency to reduce services, because the Chambers Committee had regard, not only to the financial aspect of the matter, but to the provision of the night services as part of the Commission's duty to provide an integrated system of public transport throughout the area.

(Mr. Poole): Mr. Morris used to represent the Post Office Engineers' Union at earlier inquiries and he used to travel between eleven and one in the morning, so we were told.

(Mr. Rippon): I think there are a great many workers.

(Mr. Poole): I do not know how many of them there were.

(Mr. Rippon): It is not really necessary to try and quantify them. All it is necessary to do is to try and make some proper contribution by our vouchers, or some other way, as is done in other cities where they charge a double fare on all-night buses for the revellers and others.

The only other matter I have to deal with, finally, is that we wish to raise, as we have done in past years, the possibility of removing the anomaly of stopping the children's fares at the age of fourteen when the school-leaving age has risen to fifteen. That is the sort of point that would, perhaps, arise if there was an amended fares' structure put forward at some later date.

We would ask, if there is to be any amendment to the fares' structure, that this proposal should once again be reconsidered. We do not feel the amount of revenue involved is very great, especially, no doubt, as occasionally the 14-year-olds travel as 15-year-olds. It may, of course, be suggested that if you raise it, then the 16-year-old would travel as a 15-year-old, but, in fact, when they leave school they also change their mode of dress and they are more likely to travel as 18-year-olds. Certainly that would cost the Commission very little, and it would be the sort of concession that might return to them some of that good will which we feel is so important to their future.

(President): Would not the good will be greater if the concession came in the form of a concession rather than the fulfilment of an obligation put upon them by us?

(Mr. Rippon): People might forget that, Sir. I put it as a matter to be drawn to the attention of the Tribunal and also the Commission. I think, on our past record as Objectors, we have not tried to interfere unduly in the commercial practice of the Commission, nor have we asked that new obligations should be imposed upon them, but we do feel that something could be done about that.

I am sorry to have addressed you, after all, for nearly the whole day as I promised. I believe it was John Morley who said in his Recollections that speeches should not be too lengthy for their pith, otherwise they might be compared to a railway train where there are 15 cars and only one passenger; but, perhaps, that analogy might be too painful and prophetic for the Commission to swallow.

(President): You have been most interesting, Mr. Rippon.

(Mr. Rippon): Thank you very much, Sir. I would like to thank you for your courtesy, and I think all the Objectors feel that the Tribunal have been most helpful to those of us representing Objectors, not only in meeting our convenience, but also in enabling us to ensure that the Objectors' case is fully presented.

(President): I am afraid we have nothing for tomorrow, Mr. Fay, have we?

(Mr. Fay): The next sitting would appear to be on Friday at 10.30, I think, Sir.

(President): The latest stop-press news is that on Friday we shall have the pleasure of hearing Mr. MacKenna resume his speech, followed by Sir Milner Holland and Mr. Collard. We are told that the doctor will not allow Mr. MacLaren out this week, and therefore he will have to be heard some time next week. Then there are four bodies or individuals who want to address us, I think

23 February, 1959]

[Continued]

quite shortly, and they will have to be fitted in. What is your trouble next week?

(Mr. Fay): My personal trouble is that the case in which I was engaged in the House of Lords, which came to an abrupt end owing to the illness of one of their Lordships, is supposed to resume next Monday, but that is subject to a part-heard and subject to all their Lordships being well.

(President): Then we cannot do anything about it until Friday.

(Mr. Fay): I should have thought it would be better to go ahead with this Tribunal on Monday morning so far as my convenience is concerned.

(President): We will not fix Monday for certain until some time on Friday.

(Mr. Fay): I have, in fact, finished my contribution in the House of Lords, and I can certainly be here on Monday because I have a Leader.

(President): Are there two Leaders?

(Mr. Fay): I have only one Leader, but they have two Leaders on the other side.

(President): At any rate, at the moment we shall sit on Friday and on Monday, but Monday may have to be altered if anything happens to your case in the House of Lords.

(Mr. Fay): I am very much obliged, Sir. I am very grateful to the Tribunal for looking after me so well, and I hope I shall not need to inconvenience anyone. I think Monday would be quite satisfactory.

(President): Very well.

(Adjourned until Friday, 27th February, at 10.30 a.m.)

### CORRIGENDA

#### PROCEEDINGS, ELEVENTH DAY—FRIDAY, 13TH FEBRUARY, 1959

Page 250, column 1, Question 3683, line 8—"services" should read "service"

Page 251, column 2, Question 3705, line 1—"X" should read "V"

Page 252, column 1, Question 3715, line 3—"1" should read "7"

Page 252, column 1, Question 3719, line 4—"6" should read "16"

Page 252, column 2, Question 3731, line 2—"first line" should read "line 17"

Page 252, column 2, Question 3732, line 1—"line 2" should read "line 18"

Page 253, column 1, Question 3734, line 1—"substracting" should read "subtracting"

Page 253, column 1, Question 3739, line 14—"Mainetnace" should read "Maintenance"

Page 254, column 2, Question 3768, line 1—"I think London Transport in fact say the same" should read "I think that 'London Transport in 1957' says the same;"

Page 254, column 2, Question 3768, line 2—delete "in 1957;"

Page 255, column 2, Question 3782, paragraph 4, line 9—"less" should read "more"

Page 255, column 2, Question 3784, lines 2 and 3—"without" should read "about"

Page 256, column 1, Question 3785, paragraph 2, line 1—delete "Central Charges of the"

Page 258, column 2, Question 3825, line 2—"50" should read "39"

Page 258, column 2, Question 3829, line 14—"quatum" should read "quantum"

Page 261, Table LCC 3, under column headed 1958, line 1—"627,164" should read "627,167"

#### PROCEEDINGS, FIFTEENTH DAY—THURSDAY, 19TH FEBRUARY, 1959

Page 343, Question 5760, line 2 et seq—Answer to read as follows: "They might not cancel themselves out. If you say it is £0.06m a year, you see, I might have rounded up, shall I say, from £0.055 in one year and called it £0.1m.; but if you add £0.06m. it is still only £0.1m.; if you see what I mean. Without going over the figures in detail I could not necessarily say there would be a difference of £0.1m. in each year."

Page 343, Question 5762, line 4—for "£6m." read "£0.6m."